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THE INTER-ALLY DEBTS

THE INTER-ALLY DEBTS

An Analysis of War and
Post-War Public Finance

1914-1923

By

HARVEY E. FISK

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PETERBOROUGH, ONT.

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Foreword

THIS book has been prepared in response to many requests for information regarding the cost of the World War, how this cost was met, and more particularly for information about the debts between the allies, which are going to be of great international importance for many years to come.

We have analysed the accounts of some twenty nations, using for the purpose, wherever possible, their official statistical publications. In some cases official statements were especially prepared for us. As all statements were in national currencies—pounds, francs, lire, drachmae, dollars and so on, it became evident early in our study of the problem that to make the figures comparable they must be expressed in one currency. We decided to state them all in dollars, converting each foreign currency at the rate of exchange current before the war, i.e. practically at exchange parities. However, in view of the fact that prices in each country were inflated by war financing, but in varying degrees, it also seemed desirable, in order to make them comparable as to purchasing power, to adjust the figures to the price level of 1913, that is, to put the statistics all on a pre-war gold basis. Thus the reader will find most of the statements given at their face or *currency* value just as published by the several governments, only expressed in dollars at par of exchange instead of in national currencies, and he will also find them expressed in "1913", or *gold*, dollars.

We hope the book may fulfill the purpose for which it was created, and be of value to our friends. We also wish here to express to the officials of the various governments who have furnished us with the necessary statistics, our appreciation of their helpful co-operation.

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All money statistics are expressed in dollars. Unless otherwise noted, foreign currencies have been converted at exchange parities. Such figures are stated as "currency" dollars, or simply as dollars. Where the expression "1913" dollars is used, it means that the actual or currency figures have been re-stated in terms of the purchasing power of money in 1913. For detailed explanation, see pages 14 and 319.

THE INTER-NATION
INDEBTEDNESS IN 1923

THE INTER-NATION INDEBTEDNESS IN 1923

In dollars at par of exchange—00,000 omitted

THE BORROWERS	 THE LENDERS	Great Britain	Can- ada	France	Italy	Russia	United States	Grand Total
British Empire								
Great Britain			69,7	359,8	133,8	1,265,2	4,661,0	6,489,5
Australia		439,8						439,8
Canada		67,2						67,2
New Zealand		143,5						143,5
South Africa		57,8						57,8
British South Africa Co.		9,7						9,7
Newfoundland		1,9						1,9
Crown Colonies		3,7						3,7
Total British Empire		723,6	69,7	359,8	133,8	1,265,2	4,661,0	7,213,1
Armenia		4,5					14,3	18,8
Austria		62,3		0,1	62,6		28,4	153,4
Belgium		43,8	6,3	711,0			454,5	1,215,6
Belgian Congo		17,3						17,3
Czecho-Slovakia		6,7		110,8	34,8		110,9	263,2
Estonia		1,2		2,0			16,8	20,0
Finland							9,0	9,0
France		2,927,6	5,7		96,6		3,990,7	7,020,6
Franco Polish					2,4			2,4
Germany					c			c
Greece		109,0	7,5	166,2	d		16,5	290,2
Hungary		0,6		0,2			2,0	2,8
Italy		2,568,6		163,9			2,015,0	4,747,5
Latvia		0,1		2,2			6,0	8,3
Liberia							f	f
Lithuania		a		1,2			6,0	7,2
Nicaragua							0,2	0,2
Poland		20,7		203,8	13,7		182,4	420,6
Portugal		99,6						99,6
Roumania		125,9	20,5	227,9	32,6		43,8	450,7
Russia		4,322,0	b	1,165,7	7,2		241,9	5,736,8
Serbs, Croats and Slovenes		137,9		348,9	3,4		61,6	551,8
Ukraine					e			e
United States					2,8			2,8
Grand Total		11,171,4	109,8	3,463,7	390,0	1,265,2	11,861,0	28,261,1

a\$82,000.

b\$55,000.

c\$5,000.

d\$27,000.

e\$8,000.

f\$31,000.—These are whole figures.

The Inter-Ally Debts

CHAPTER I

Eighty Billion Dollars

THE war cost \$80,680,000,000 gold. The purchasing power of the currencies of every combatant nation was affected in varying degrees by inflation caused by the use of paper money and bank credits in financing the war. Taking the figures of each nation as reported from year to year and reducing them to dollars at par of exchange, the expenditures for war totalled \$208,600,000,000 in currency. To arrive at a uniform basis of statement, we have divided the figures for each nation for each year of the war by the wholesale price index number of that nation. Thus we have obtained a statement for each nation in terms of 1913 prices. The sum of these figures, \$80,680,000,000, may be called the gold cost of the war.

How can we realize the magnitude of such a sum?

Eighty billion dollars would reproduce all of the railway mileage of the world and there would still be over twenty billion dollars to spare for some other use—enough to build and equip a railway system as great as that of the United States.

In 1914 English economists estimated the wealth of the people of Great Britain to be about seventy billion dollars. All of the property of every kind in England, Wales, Scotland and Ireland, the railways, the docks, the shipping trav-

ersing every sea, the entire navy, the great factories, the coal, tin and iron mines, in short all tangible property of every sort and kind, is represented by this seventy billion dollars, and yet the war cost ten billion dollars more than this, and ten billion dollars is equivalent to the entire tangible wealth of Australia and New Zealand.

Another comparison—the pre-war combined wealth of France and Italy was just under eighty billion dollars. The war caused the unprofitable consumption of goods of a value in gold equivalent to all of the property of every kind of these two great nations of nearly eighty million people; an amount equivalent to the accumulations of centuries, wasted in four and one-half years of insensate strife.

It is hard to realize, but it is a fact, that eighty billion dollars is fifty per cent. more than the total cost of government in Great Britain for the two and a quarter centuries which elapsed from the Revolution of 1688 to the beginning of the Great War. It cost, to meet the expenses of Great Britain for two and a quarter centuries, in round figures, fifty-three billion dollars.

During this long period of 226 years there were eight major wars, fought at great expense—expense so great that the thinking people of the times were appalled thereby. There were the wars of William III costing around \$150,000,000; the wars of Anne costing over \$250,000,000. The Spanish Right of Search War and the war of the Austrian Succession piled up another \$200,000,000 or more. The Seven Years War cost over \$350,000,000. Then came the American war costing over half a billion dollars, and finally the Great French Wars lasting from 1792 to 1815, costing around six billion dollars. Later on, in the '50s, the Crimean War cost some \$350,000,000; and finally the Boer War which lasted from

1899 to 1903 cost nearly a billion and a half of dollars. Beside these major wars there were many costly military expeditions, the growing cost of civil government and the ever present burden of the public debt, and yet the total expenditure of this long period was only about five-eighths of the gold cost of the Great War.

Coming home for a final comparison, we find that the expenses of the United States government from its foundation in 1791 through the year 1913, a period of a century and a quarter, were twenty-four and a half billion dollars—less than one-third of the gold cost of the Great War and yet, during this long period, we fought England in 1812, Mexico in the '40s, the very destructive Civil War in the '60s, also at various times many Indian campaigns, to say nothing of the Spanish War in the '90s.

The expenses of civil government were steadily growing. Our pension roll called for heavy expenditures. To the current expenses of government we could add the Louisiana purchase, the acquisition of Alaska, the purchase of the Virgin Islands, what we paid Spain for the Philippines, and the cost of constructing the Panama Canal, and even then, the figure would be far under a third of the total gold cost of the Great War.

How War is Paid For

Economists tell us that the war was paid for as it was being fought. This is unquestionably true, taking the world as a whole. You cannot today feed, clothe, and equip a soldier with things to be produced in the future. The generation which fought the war furnished the men who fought the war and produced food and clothing for them, and the ships, aeroplanes, guns and explosives with which they fought.

However, within a nation as between individuals, and in the world at large as between nations, it is true that the financial burden of the war may continue for generations. The man whose father or whose grandfather helped to pay for the war by buying government bonds may be for many years in receipt of an income raised from taxation in part paid by himself, but largely paid by other citizens.

In like manner, a nation which in part fought the war by obtaining munitions from another nation, in exchange for its bonds payable in the future, did not itself pay for this part of the cost of the war and will only feel the burden when it redeems its bonds and as it pays interest on them. While such payments are in progress, the citizens of the borrowing nation will feel the burden in their tax payments. They actually will be paying for the war for long years after it ended; not, of course, paying the original cost, but repaying to their ally the equivalent in value of the goods originally obtained on credit.

The Inter-Ally Loans

On the side of the Allies the inter-nation credit operations due to the financing of the Great War and its aftermath amount to more than twenty-eight billion dollars. Of this amount twenty-six billion dollars represents the loans from ally to ally with unpaid accrued interest added. The remaining two billion dollars represents post-war loans made by the Allied Powers to various nations, some of them former enemies, for relief and reconstruction.

There were three important stages in the development of these loaning operations. The first stage was from the latter part of 1914 to April 7, 1917. That is the period prior to the entrance of the United States into the conflict. During this

period the loans between the Allies totalled over eight billion dollars. Then followed the two and one-half years until the armistice. During this period the loans increased by nearly fifteen and a half billion dollars, reaching \$21,599,000,000. Then came the post-armistice loans which with unpaid accrued interest brought the total up to \$28,261,000,000.

The burden of the loans devolved about equally upon the United States and Great Britain, amounting as the books stood in 1923 to \$11,861,000,000 by the former and to \$11,171,000,000 by the latter. Loans by France totalled in 1923, \$3,464,000,000. This is the gross status. However, both Great Britain and France were borrowers as well as lenders. Therefore, on balance, the figures stand as follows: the United States in 1923 was a net creditor for \$11,858,000,000, while Great Britain was a net creditor for \$4,682,000,000. All of the other nations, some thirty in number, were net debtors.

It is difficult to reduce the figures to a gold basis, but careful computations as of the close of 1919 when the currency total of the loans stood just under twenty-five billion dollars, indicate that, valued in "1913" dollars, the loans represented an outlay of thirteen billion dollars, an amount only two billion dollars less than the pre-war national wealth of Canada. Adding this amount to our estimate of the net gold cost of the war, approximately eighty-one billion dollars, we arrive at a gross cost of ninety-four billion dollars. On this gross basis about 3 per cent. of the receipts of the belligerents for war purposes came from taxation, $83\frac{1}{2}$ per cent. came from borrowing at home, and about $13\frac{1}{2}$ per cent. came from borrowing abroad. This latter borrowing was chiefly by the Allies from each other. Of course, these latter loans, if and when paid, will cancel out, leaving the real net cost of the war at the eighty-one billion figure.

The Loans Not Made in Money

It should be borne in mind that these loans were merely measured in terms of money. In fact they were loans of indispensable commodities which the combatants could not obtain at home. Actually the loans were made in clothing, in food, in cotton, in nitrates and chemicals, in steel and copper, in engines of war, in ships and other munitions.

From the beginning a very important source of most of these munitions was found in the United States and in other countries of North and South America. Japan was another important purveyor of war goods, while nearly every other nation of the world, large or small, ally or neutral, was combed for needed supplies.

Great Britain as Banker for the Allies

During the first part of the war Great Britain was the banker for the Allied Powers. She financed her dominions first, then France. Then she joined with France in financing Russia, and, later on, when Italy came out on the side of the Allies, she helped Italy to obtain needed commodities. Her net advances during this period aggregated \$3,824,000,000.

As it was necessary to go to America for many of the goods required, and as America insisted on being paid in real values, or if she gave credit, in being well secured for her advances, it was necessary to obtain gold and good convertible assets for the purpose. Therefore, Great Britain, in consideration for the use of her good offices and banking and trade facilities to obtain goods from America, insisted that Russia, France and Italy should send to the Bank of England all the gold that they could spare from their banking reserves. This gold was successfully used to stabilize the New York ex-

changes, which indirectly resulted in the stabilization, or part stabilization, of other allied and neutral exchanges.

In 1915 France and England joined their credit to place a great loan for five hundred million dollars in the United States. When England and France asked for further loans, American bankers required collateral. The borrowers appealed to their peoples for loans of negotiable securities. These were furnished in great amounts, largely in the form of American railroad stocks and bonds. Many other corporate securities suitable for the purpose also came to light, as well as municipal bonds and the bonds of neutral states.

Some of these stocks and bonds were sold in American markets. These were bought outright from their British and French owners. Other securities were deposited in New York with the Bankers Trust Company or the Guaranty Trust Company to protect issues of English and French notes, \$120 of collateral being deposited for every \$100 lent. The securities forming this collateral were borrowed from their owners by the French and English governments. Their owners received interest bearing receipts which entitled them to receive the interest as collected and an additional percentage for their use.

Before the war English people are thought to have owned foreign investments valued at twenty billion dollars. The French people had similar investments aggregating over eight billion dollars. It is calculated that for war purposes the English people sold securities to the value of five billion dollars and that the French people parted with securities valued at one billion dollars.

The United States Becomes Allied Banker

On April 6, 1917, the United States joined forces with the Allied Powers. Almost the first act of the American Congress

was to authorize loans to powers at war with the enemies of the United States to the extent of three billion dollars. From time to time this authorization was increased until a maximum of ten billion dollars was reached. This money, or rather the munitions of war which it would buy, was poured out freely. By their own admission, at the time we came into the situation, the Allies were at their wits end to know which way to turn in order to obtain needed supplies.

When the United States opened her pocketbook all was changed. The outcome we know. Our help ended the war. We supplied in almost unlimited volume the munitions required to enable the Allies to go on fighting while we were enrolling and training men.

When the armistice was signed, we had all but two million men in France. Within six months we would have had twice that number there. To conserve shipping to get these men across we bought great quantities of munitions in Europe. We paid higher prices for these goods than we would have needed to pay at home, even with the cost of ocean transportation added, but it was better to do this and save shipping for the men.

The Post-Armistice Loans

The war ended suddenly. Up to that time we had furnished our allies with goods valued at \$7,077,000,000. In addition we had the vast supplies of goods accumulated abroad and even greater supplies in warehouses at home. To have thrown these goods on the market might have ruined farmers, manufacturers and other business men at home, and perhaps broken some banks. European nations, especially our late enemies, needed these supplies badly.

Under the acts of congress authorizing the loans to our

allies such loans could only be made to nations at war with our enemies and on no account could such loans be made to an enemy.

What was to be done? Should we withhold the loans and let our home people "go broke" and Europe starve; or should we make the loans and stretch the law; for congress could not be made to appreciate the difficulty and would not amend the loan acts so as to legalize loans for reconstruction and for relief to neutral or former enemy nations.

The administration decided to act as if war were still in process. Technically this was so, for the loan acts provided that the legal ending of the war was to be determined by proclamation of the President. Such proclamation was not made until the Harding administration came into power. The loans were made to Belgium for her own needs and to Great Britain, France and Italy. By the latter nations the pork and corn and wheat not needed by themselves were passed on to Austria and other impoverished countries.

Thus it was that after the armistice loans were continued for two years. Such loans amounted to over two billion dollars. In all the United States lent to the Allies just under ten billion dollars. We also sold surplus war materials to foreign nations taking in payment \$595,000,000 of their obligations. Through the American Relief Administration we furnished relief supplies valued at over \$84,000,000, for which we took bonds. We also sold foreign nations large quantities of grain on credit through the Grain Corporation, to a value of nearly \$57,000,000. These latter arrangements were sanctioned by special legislation supplementary to the legislation authorizing loans of ten billion dollars to prosecute the war.

With the exception of Cuba's debt to the United States and of some settlements of book accounts connected with the

interchange of army supplies, and some settlements for surplus war materials, none of these loans has been paid and little interest has been paid upon them. The only large loans which have been put in the way of payment are the loans made by England to her dominions, and England's and Finland's debts to the United States.

England and Canada had large reciprocal loans which have been fully settled. The other dominions have put their war debts to England into serial bonds, while England and Finland have made a similar arrangement with the United States. This leaves unsettled the debts of the continental nations to England, France and the United States and some moderate amounts due to Italy, and then there is the great debt of Russia to England and France and her smaller debt to the United States.

In the following pages we have first taken up the consideration of what the war cost. We have then endeavored to show how it was financed, giving attention in turn to taxation, internal borrowing, external market borrowing, and finally to the inter-nation borrowing.

In concluding chapters we consider the resources of the nations upon which reliance must be placed, in part at least, to find the ways and means of paying their debts. Other things being equal, nations with large foreign investments are in a better position to pay foreign debts than those not so fortunately situated.

However, when budgets are balanced and the world once more is at work in a normal way, even nations not now blessed with large savings invested abroad may be expected gradually to save and to accumulate savings with which to liquidate their debts to other countries. Time will be the essence of all inter-nation settlements.

CHAPTER II

The Cost of the War

IN this book we are dealing with the direct tangible cost of the war to the national treasury of each belligerent. However, it must be kept in mind that this is only part of the real cost. The economic value of lives prematurely snuffed out on the field of battle, or as the result of wounds, from contagion, or from massacres; the reduction of vitality due to wounds and malnutrition; the stunting of the lives of children and of children yet unborn; the destruction of priceless relics of the past, of books and of works of art; the demolition of buildings, railroads and highways; the sabotage of agricultural lands, mines and factories; all enter into the economic cost of the war.

The recurring annual burden of the interest upon the public debt and of pension payments to soldiers and their dependents will continue for generations yet unborn.

But this does not by any means complete the inventory of the economic cost of the war. We must also take into consideration what the accountants call the accrued renewals—the neglected upkeep—during the war years, of public works, public utility plants, transportation and communication plants, highways, and buildings of all kinds.

The disorganization of the currencies of many countries has brought ruin to holders of government bonds and to those living on the income from other pre-war and even war time investments, and to all living on fixed incomes, whether from annuities, pensions, or salaries. Then there is the world-wide dislocation of business.

It is not necessary to go further. Enough has been taken into the account to show that the cost of the war has been unbelievably large—in fact an amount beyond the power of computation by anyone however much of a statistical wizard he may be.

The Direct Cost of the War

This book deals with the direct cost of the war to the national treasuries of the belligerent powers, exclusive of all indirect expenditures or losses, such as those just enumerated. Our estimate of this cost is \$80,681,000,000 "1913" dollars; divided \$56,184,000,000 or 69.64 per cent to the Allied and Associated Powers, and \$24,497,000,000 or 30.36 per cent to the Central Powers. These are the expenditures of nations which took a more or less active part in fighting the war. We have not included in our studies the other nations of the world, either those nominally but not actively at war, or the neutral nations.

Counting as separate nations the group of governments composing the British Empire, there were at one time or another during the progress of the war sixteen active belligerents on the side of the Allied and Associated Powers and four on the side of the Central Powers. What the war cost each of these nations in "1913" dollars is shown in the table on the following page.

Analyzing the Data

A study of the table raises important questions which must be answered before we can intelligently consider matters of detail.

What did the war cost? It would seem to be a perfectly simple matter to answer this question. Assuming the account

aTHE COST OF THE WAR

COVERING THE SIX FISCAL YEARS 1914 (OR 1914-15)

TO 1919 (OR 1919-20) INCLUSIVE

(In "1913" dollars—000,000 omitted)

Nations	I Total Expendi- ture Cols. II, III & IV	II bNormal Ex- pendi- ture	III Direct Cost	IV Loans to Allies	V Gross Cost Cols. III & IV	VI Deduct Loans from Allies	VII Net Cost
ALLIED AND ASSOCIATED POWERS							
British Empire							
Great Britain	28,835	4,692	19,257	4,886	24,143	2,909	21,234
Australia	1,412	548	864	.....	864	113	751
Canada	2,291	1,180	952	159	1,111	61	1,050
India	2,332	2,312	20	.....	20	.....	20
New Zealand	799	586	213	.....	213	76	137
Union South Africa . .	602	576	26	.....	26	66	-40
cCrown Colonies, Pro- tectorates, etc. . . .	580	684	-104	.....	-104	.....	-104
Total British Empire..	36,851	10,578	21,228	5,045	26,273	3,225	23,048
cBelgium	1,280	618	662	.....	662	662	.....
France	16,228	5,020	10,104	1,104	11,208	1,926	9,282
cGreece	155	224	-69	.....	-69	74	-143
Italy	7,431	2,942	4,489	.....	4,489	1,278	3,211
Japan	1,390	1,476	-86	.....	-86	.....	-86
cPortugal	642	468	174	.....	174	40	134
Rumania	210	411	-201	.....	-201	.....	-201
Russia	13,561	5,903	7,366	292	7,658	2,289	5,369
cSerbia	366	145	221	.....	221	227	-6
United States	20,114	2,777	12,296	5,041	17,337	198	17,139
Total Allied and Asso- ciated Powers	98,228	30,562	h56,184	h11,482	67,666	h9,919	h57,747
CENTRAL POWERS							
dAustria-Hungary . . .	10,848	5,410	5,438	.....	5,438	711	4,727
cBulgaria	246	473	-227	.....	-227	47	-274
Germany	23,176	3,282	18,605	1,289	19,894	.....	19,894
cTurkey	1,613	932	681	.....	681	348	333
Total Central Powers..	35,883	10,097	h24,497	h1,289	25,786	h1,106	h24,680
Grand Total.	h134,111	40,659	h80,681	h12,771	93,452	h11,025	h82,427

For notes see Statistical Tables.

books of the various belligerents to have been properly kept, apparently all one would need to do would be to turn the statistics into dollars, add them up and find the answer to the question.

Unfortunately, the problem is not so easily solved. Aside from the fact that the statistical records are imperfect, there are several other matters which must be settled before we can arrive at a final figure which will be of any value.

One of the most difficult questions to determine is that of a common denominator. We are dealing with several different currencies,—francs, pounds sterling, dollars, marks, crowns and others. These currencies all depreciated from the pre-war status. Even the purchasing power of the dollar declined in a marked manner, to 84 cents in July, 1916, to 54 cents in July, 1917, and to as low as 37 cents in April, 1920. The franc dropped to 70 per cent. in July, 1915; to 54 per cent. in July, 1916; to 37 per cent. in July, 1917, and to 17 per cent. in April, 1920. The other currencies suffered in like manner. As shown by Statistical Table XXVII, it will be seen that the depreciation was quite uneven, but on the whole, for the war period, not dissimilar. Even the mark did not break badly until 1920.

Manifestly, the first step in obtaining figures which are really comparable is to reduce these varying currencies to a common basis. This we have done, first by dividing the figures for each year by the average wholesale price index number for the year, thus putting the statistics for each country on the 1913 price basis. We then have turned the adjusted cost figures into dollars at par of exchange—the pound at \$4.866, the franc at 19.3 cents, and so on. The dollar figures used in this chapter and throughout the book, wherever designated as “1913” dollars, were arrived at in this manner; they are dollars of 1913 purchasing power.

Having expressed the figures in “1913” dollars, we are still faced with the problem of analysing them in such a way

as to arrive at the real cost of the war and not at some misleading result.

In this book we have assumed the cost of the war for any year to be the annual expenditure over and above the pre-war rate of expenditure. Our statistics are arrived at on this basis. In the case of a nation lending to an ally, the cost of the war is the total expenditure for the prosecution of the war, inclusive of any loan or loans made to allies which is outstanding and unpaid. But, on the other hand, the cost to a nation borrowing from an ally is the total expenditure of that nation for war less any such outstanding and unpaid loans. Manifestly, when considering the expenses as a whole, these inter-ally loans cancel one another and the total cost of the war is the direct expenditure, exclusive of loans to allies.

Allocation of the Costs

As shown by the table on page 16 military expenses and other special war expenditures, including the interest on the war debts, accounted for substantially all of the direct cost of the war, that is the cost exclusive of loans to allies. Out of the total direct expenditures of \$80,681,000,000, \$68,990,000,000 or 85.5 per cent. went into military expenses, \$5,144,000,000 or 6.37 per cent. into other special expenses due to the war, and \$6,242,000,000, or 7.74 per cent. was used in paying interest on the war debts. The war caused only a slight increase in civil expenditures.

It should be borne in mind that we are dealing with "1913" dollars.

It is noticeable that the military expenses of the Central Powers were nearly 25 per cent. less in the second part of the war than in the first, while this class of expenses for the Allied Powers was about 25 per cent. heavier in the second part of

THE COST OF THE WAR
EXPENSES CLASSIFIED
(In "1913" dollars—000,000 omitted)

EXPENSES	FIRST PART			SECOND PART			ENTIRE PERIOD		
	Allies	Central Powers	All	Allies	Central Powers	All	Allies	Central Powers	All
Public Debt Charge	970	548	1,518	3,131	1,593	4,724	4,101	2,141	6,242
Military, including Pensions	20,518	12,807	33,325	25,838	9,827	35,665	46,356	22,634	68,990
Other Special War Expenses	980	264	1,244	2,682	1,218	3,900	3,662	1,482	5,144
Civil Government	245	-1,550	-1,305	1,820	-210	1,610	2,065	-1,760	305
Direct Cost	22,713	12,069	34,782	33,471	12,428	45,899	56,184	24,497	80,681
Loans to Allies	4,357	953	5,310	7,125	336	7,461	11,482	1,289	12,771
Gross Cost	27,070	13,022	40,092	40,596	12,764	53,360	67,666	25,786	93,452
Expenditures, Pre-war Basis	16,245	5,571	21,816	14,317	4,526	18,843	30,562	10,097	40,659
Total Expenditures	43,315	18,593	61,908	54,913	17,290	72,203	98,228	35,883	134,111
Percentage of Period	69.96	30.04	100.00	76.05	23.95	100.00	73.24	26.76	100.00
Percentage Each Part to Total	44.09	51.81	46.16	55.91	48.19	53.84	100.00	100.00	100.00

the war than in the first. This shows the tremendous effort put forth by the Allies to win the war, and a weakening in the effort of the enemy. The increase in special expenses due to the war is attributable largely to heavy expenses incurred in obtaining food for the civilian population. Cereals, meats, sugar, and other food supplies were bought by the various governments and then in many cases resold to their citizens at a loss. Other special expenses were due to the beginning of reconstruction and to aid extended to those who had suffered losses of property, while war pensions to disabled soldiers began to figure in the accounts.

Loans to Allied Governments

In addition to their direct expenditures for war the belligerents lent to their allies \$5,310,000,000 in the first part of the war and \$7,461,000,000 in the second part; a total of \$12,771,000,000. These are "1913" dollars. The loans at face value, that is in "currency" dollars, amounted to \$7,906,000,000 in the first part of the war, and \$15,754,000,000 in the second part, or \$23,660,000,000 in all. This latter amount is the sum "nominated in the bond" but the money which the borrowers received had a purchasing power of only \$12,771,000,000. Perhaps this fact fairly may be taken into account when settlements are made.

The burden of the lending for the Allied Powers in the first three years fell on Great Britain and in the second three years on the United States, although in that period Great Britain was also a heavy lender, while France made substantial loans in both periods. Germany was the banker of the Central Powers.

For the figures for the entire six years and the effect of loans made and of loans received upon the exchequers of the

several nations which were at war, reference may again be made to the table printed on page 13.

It will be noted that the "Net Cost," that is the cost, plus loans made and less loans received, in the case of the Allied and Associated Powers, fell first upon Great Britain for \$21,234,000,000, 36.77 per cent. of the total Allied figures; secondly upon the United States for \$17,139,000,000, 29.67 per cent. of the total; thirdly upon France for \$9,282,000,000, 16.07 per cent. of the total; and fourthly upon Russia for \$5,369,000,000, 9.29 per cent. Then came Italy for the sum of \$3,211,000,000; Canada for \$1,050,000,000, and Australia for \$751,000,000.

On the side of the Central Powers, Germany expended \$19,894,000,000 and Austria-Hungary \$4,727,000,000, out of a total of \$24,680,000,000.

The inter-ally loans are more fully discussed in a later chapter.

Year by Year Cost of the War

The annual distribution of the war expenses for each group of belligerents which we have just been considering is set forth in "1913" dollars in the table on page 19.

Where the War Burden Fell the Heaviest

It requires only a glance at Statistical Table VI to see that during the first part of the war the burden of the Allies was borne by four nations. These were, in order of their disbursements, expressed in "1913" dollars: Great Britain, with total expenditures for war of \$11,884,000,000; Russia, with disbursements for war of \$5,822,000,000; France, with disbursements for war of \$5,233,000,000; and Italy with disbursements for war of \$2,076,000,000.

THE YEAR BY YEAR COST OF THE WAR

(In "1913" dollars—000,000 omitted)

	TOTAL EXPENDITURE			NORMAL EXPENDITURE		DIRECT COST OF THE WAR				GROSS COST OF THE WAR			
	Per Cap-ita	% Na-tional In-come		Per Cap-ita		Per Cap-ita	% Na-tional In-come	% In-crease over Nor-mal	Loans to Allies	Per Cap-ita	% Na-tional In-come	% In-crease over Nor-mal	
<i>First Year</i>													
Allied and Associated Powers	9,263	21.11	23.07	5,143	11.33	3,856	9.15	10.00	264	4,120	9.78	10.69	80.11
Central Powers	4,308	29.01	26.43	1,857	12.80	2,236	15.53	13.72	215	2,451	17.02	15.04	131.99
All Belligerents	13,571	23.36	24.07	7,000	11.73	6,092	10.78	11.11	479	6,571	11.63	11.98	93.87
<i>Second Year</i>													
Allied and Associated Powers	15,530	35.66	39.28	5,143	11.17	9,082	21.43	23.61	1,305	10,387	24.49	26.98	201.92
Central Powers	7,037	48.87	43.17	1,857	12.80	4,801	33.34	29.45	379	5,180	35.97	31.78	278.94
All Belligerents	22,567	39.00	40.44	7,000	11.60	13,883	24.44	25.34	1,684	15,567	27.39	28.40	222.38
<i>Third Year</i>													
Allied and Associated Powers	18,522	38.04	43.21	5,959	11.27	9,775	22.58	25.05	2,788	12,563	27.67	30.71	210.82
Central Powers	7,248	50.33	44.47	1,857	12.80	5,032	34.94	30.87	359	5,391	37.44	33.07	290.31
All Belligerents	25,770	41.78	43.58	7,816	11.67	14,807	25.66	26.77	3,147	17,954	30.11	31.40	229.71
<i>Fourth Year</i>													
Allied and Associated Powers	22,351	40.50	20.43	5,501	9.54	12,921	23.63	17.17	3,929	16,850	30.06	22.50	306.31
Central Powers	8,926	61.98	54.76	1,857	12.80	6,883	47.80	42.23	186	7,069	49.09	43.37	386.67
All Belligerents	31,277	45.05	34.02	7,358	10.25	19,804	28.75	21.71	4,115	23,919	34.80	26.28	325.07
<i>Fifth Year</i>													
Allied and Associated Powers	20,962	57.04	31.17	4,408	11.11	13,992	38.85	21.23	2,562	16,554	45.92	25.09	375.52
Central Powers	6,420	44.58	39.39	1,894	13.15	4,376	30.39	26.84	150	4,526	31.43	27.77	236.06
All Belligerents	27,382	53.49	32.79	6,302	11.69	18,368	36.44	22.34	2,712	21,080	41.80	25.62	334.48
<i>Sixth Year</i>													
Allied and Associated Powers	11,600	31.10	16.99	4,408	11.11	6,558	18.23	9.06	634	7,192	19.98	10.92	163.16
Central Powers	1,944	20.68	16.47	775	8.24	1,169	12.43	9.01	....	1,169	12.44	9.91	150.84
All Belligerents	13,544	28.95	16.91	5,183	10.52	7,727	17.04	9.90	634	8,361	18.43	10.77	161.28

In these years Germany spent for war \$8,727,000,000, a little more than two-thirds of the expenses of the Central Powers, while Austria-Hungary spent \$3,963,000,000.

In the second part of the war as shown by Statistical Table VIII, the burden bearers for the Allied and Associated Powers were the United States, Great Britain, and France, providing respectively \$16,671,000,000, \$12,259,000,000, and \$5,975,000,000. Italy followed next with \$2,413,000,000 and Russia next, for eight months only, with \$1,836,000,000.

Germany carried practically the entire burden for the Central Powers for these years.

We have included the loans in giving the foregoing figures.

Although the fighting ended in a little over four years, the expenses due to war conditions, as always happens in the case of large wars, continued at a high scale during the first peace year and really did not settle down to a peace basis for still another year.

CHAPTER III

The War Expenditures of Each Great Power

AS we have seen, the burden of the war financing fell upon a few nations. Therefore it will be of interest to learn the nature of the expenses which each of these burden bearers had to meet.

From what sources the money came with which to pay the bills, whether from taxation, from home or foreign market borrowing, or from assistance given by Allied or Associated Powers, we shall learn later on.

The relative cost of the war to the leading combatants is shown by the table printed below. It will be observed that apparently the direct money burden of the war to the Allies fell heaviest upon the British people, then, in order, upon the French, the people of the United States, the Italians and

THE RELATIVE COST OF THE WAR TO THE GREAT POWERS

(In "1913" dollars)

Per Capita; Per Cent. Pre-War National Wealth; also Average Annual Expenditure for War per cent. Pre-War National Income, and Cost in Men per cent. Pre-War Population.

	Gross Cost of War Per Capita	Gross Cost of War, % National Wealth	Average Annual Cost of War, % National Income	Battle Deaths, % Population
ALLIES				
Great Britain. . . .	524.85	34.49	36.92	1.44
France.	280.20	19.36	25.59	2.31
Italy	124.59	20.59	19.18	.92
Russia	44.01	13.11	24.10	.98
United States. . . .	176.91	8.67	15.50	.05
CENTRAL POWERS				
Austria Hungary . .	108.76	18.13	24.18	1.60
Germany	292.57	24.71	31.58	2.35

the Russians. In relation to national wealth and national income the burden was lightest for America.

THE BRITISH EMPIRE'S WAR EXPENDITURE

The direct cost of the war to the national and colonial groups composing the British Empire, in "1913" dollars, was \$21,228,000,000, exclusive of loans to Allies. Including such loans the cost was \$26,273,000,000, say about 38 per cent. of the total expenditures for war of all the Allied and Associated Powers. Deducting loans from Allies the cost was \$23,048,000,000.

The expenses were distributed as in the following table:

WAR TIME EXPENDITURE OF THE BRITISH EMPIRE

SIX FISCAL YEARS: 1915 TO 1920 INCLUSIVE

(In dollars—000,000 omitted)

Purpose	In "Cur- rency" Dollars	In "1913" Dollars	Per Cent. of Total	Expenses Pre-War Basis	Per Cent. of Total
Public Debt Charge	6,218	3,207	8.70	1,242	11.74
Military	38,177	20,985	56.05	2,868	27.11
Other Special War Expenses	4,690	2,520	6.84	.....	.....
Civil Government	8,018	5,094	13.82	6,468	61.15
Direct Expenditure	57,103	31,806	86.31	10,578	100.00
Loans to Allies	8,981	5,045	13.69	.....	.....
Total Expenditure	66,084	36,851	100.00	10,578	100.00
<i>Deduct</i>					
Expenses Pre-war Basis	10,578	10,578			
GROSS COST OF THE WAR	55,506	26,273			
<i>Deduct</i>					
Loans from Allies	5,742	3,225			
NET COST OF THE WAR	49,764	23,048			
Direct Expenditure as above	57,103	31,806			
<i>Deduct</i> Expenses, Pre-war basis	10,578	10,578			
Gross Cost of the War, exclusive of Loans	46,525	21,228			

For the expenditures of each nation composing the British Empire, see Statistical Tables.

GREAT BRITAIN'S EXPENDITURE FOR THE WAR

Following the outbreak of the war, the British parliament from time to time voted blanket appropriations, technically known as "Votes of Credit." These were to be expended by the government in the manner best calculated to win the war. How these sums were expended was a state secret until the close of hostilities, when the disposition to which they were put was made public. The total payments charged to votes of credit from August, 1914, to March 31, 1919, amounted to

HOW GREAT BRITAIN SPENT MONEY TO WIN THE WAR

SIX FISCAL YEARS, 1915 TO 1920 INCLUSIVE

(In *dollars*—000,000 omitted)

Purpose	In "Cur- rency" Dollars	In "1913" Dollars	Per Cent. of Total	Expenses Pre-war Basis	Per Cent. of Total
Public Debt Charge	4,870	2,313	8.02	575	12.26
Military	32,465	17,577	60.96	2,143	45.67
Military Pensions	849	349	1.21	.....	.....
Other Special War Expenses	4,172	2,173	7.54	.....	.....
Civil Government	2,782	1,537	5.33	1,974	43.07
Direct Expenditures	45,138	23,949	83.06	4,692	100.00
Loans to Allies	8,770	4,886	16.94	.....	.....
Total Expenditures	53,908	28,835	100.00	4,692	100.00
<i>Deduct</i>					
Expenses Pre-war Basis	4,692	4,692			
GROSS COST OF THE WAR	49,216	24,143			
<i>Deduct</i>					
Loans from Allies	5,403	2,909			
NET COST OF THE WAR	43,813	21,234			

Direct Expenditures as above	45,138	23,949
<i>Deduct</i> Expenses, Pre-war Basis	4,692	4,692
Gross Cost of the War, exclusive of Loans	40,446	19,257

GREAT BRITAIN
GOVERNMENT EXPENDITURES
(In "Currency" dollars—000,000 omitted)

Years Ending March 31	1914	1915	1916	1917	1918	1919	1920
Debt, Interest and Management	93	105	294	619	924	1,313	1,615
Military	376	1,677	4,657	6,488	7,960	8,320	3,362
Military Pensions					119	246	484
<i>a</i> Other Special Expenses due to the War		199	616	466	1,139	770	982
Advances to Allies and Dominions		252	1,537	2,650	2,373	1,288	669
Civil Government	346	362	353	344	479	485	759
<i>b</i> Total Expenditures	815	2,595	7,457	10,567	12,994	12,422	7,871
Debt Reduction—Net	9						
Balance in Exchequer	51	406	125	128	102	62	46
	875	3,001	7,582	10,695	13,096	12,484	7,917

GREAT BRITAIN
GOVERNMENT EXPENDITURES
(In "1913" dollars—000,000 omitted)

Years Ending March 31	1914	1915	1916	1917	1918	1919	1920
Debt, Interest and Management	93	100	219	364	435	579	617
Military	376	1,582	3,476	3,816	3,755	3,665	1,283
Military Pensions					56	108	184
<i>a</i> Other Special Expenses due to the War		188	460	274	537	339	375
Advances to Allies and Dominions		238	1,147	1,559	1,120	567	255
Civil Government	346	341	263	202	226	214	290
<i>b</i> Total Expenditures	815	2,449	5,565	6,215	6,129	5,472	3,004

*a*See comments in text.

*b*Only the net result of government services is taken into our tables. If these services show a loss, such losses are treated as a deduction from government receipts. See Government Receipts, page 47.

\$40,958,000,000 "currency" dollars out of a total net expenditure for the six years of war financing of \$53,908,000,000 "currency" basis. This evidences the amount of discretion and the vast responsibility vested in the government, or shall we say, imposed upon the government by parliament.

The table on page 23 gives in "currency" dollars and in "1913" dollars in parallel columns the war expenditures and their distribution.

Direct expenditures accounted for 83.06 per cent of the total while loans to Allies amounted to 16.94 per cent.

WHAT THE WAR COST FRANCE

The direct money cost of the war to the national treasury of France plus loans to Allies was not less than \$33,557,000,000 in currency; \$11,208,000,000 in "1913" dollars. For two reasons it is possible that the cost may have been higher. One reason is that the expenditures of independent commissions handling the purchases of supplies for the army and navy, also of commissions entrusted with the duty of regulating the markets for food, apparently have not been brought into the accounts. The other reason is that for the fiscal years 1914 to 1919, inclusive, the French government has published only the figures of appropriations made for the expenses, but has not published any statement of actual expenditures. The appropriations exceed the total published receipts from all sources, including borrowing, by \$3,934,000,000 currency dollars. It seems improbable that the actual expenditure could have been greater than the total receipts, therefore in our statements we have gone on this assumption and adjusted the appropriation figures by deducting the apparent surplus appropriation from the item of military expenses.

As thus adjusted the war expenditures of France were as follows:

THE WAR TIME EXPENDITURES OF FRANCE

SIX FISCAL YEARS: 1914 TO 1919 INCLUSIVE

(In dollars—000,000 omitted)

Purpose	In "Cur- rency" Dollars	In "1913" Dollars	Per Cent. of Total	Expenses Pre-war Basis	Per Cent. of Total
Public Debt Charge . . .	5,186	2,076	12.79	1,498	29.84
Military	23,841	10,502	64.72	1,866	37.17
Military Pensions	6	2	.01	.....	.....
Civil Government	4,575	1,906	11.75	1,656	32.99
Reconstruction	2,152	638	3.93	.....	.....
Direct Expenditure	35,760	15,124	93.20	5,020	100.00
Loans to Allies	2,817	1,104	6.80	.....	.....
Total Expenditure	38,577	16,228	100.00	5,020	100.00
Deduct					
Expenses Pre-war basis .	5,020	5,020			
GROSS COST OF THE WAR .	33,557	11,208			
Deduct					
Loans from Allies	5,397	1,926			
NET COST OF THE WAR . .	28,160	9,282			
Direct Expenditure as above . .	35,760	15,124			
Deduct Expenses, Pre-war Basis .	5,020	5,020			
Gross Cost of the War, exclusive of Loans	30,740	10,104			

Even before the war France had a relatively high debt charge and heavy military expenses. The average per capita burden for the interest and management of the public debt of France for the three pre-war years was \$6.25 as against \$4.87 for Belgium, \$3.60 for Austria-Hungary, \$2.86 for Italy, \$2.09 for Great Britain, and only 87 cents for Germany.

The military burden of the French people pre-war was \$7.77 each, of the British people \$7.76, of the German people \$5.19 each, and of the Italian people \$4.92 each. The people of the United States had a burden of only 23 cents each for the interest charge on their public debt, but they were taxed on the average \$4.49 each for their military establishment and pensions to soldiers who participated in former wars and their dependents.

The pre-war debt charge of France absorbed 3.42 per cent of her national income, while her military expenses required another 4.26 per cent of her people's earnings. Great Britain's debt charge required only 0.88 per cent of the national income, but her military expenses called for 3.27 per cent of that income. Germany's debt charge before the war was only 0.56 per cent of her national income, but her military expenses absorbed 3.36 per cent of that income. Italy's debt charge burdened her national income to the extent of 2.64 per cent, while her military expenses required an additional 4.54 per cent.

It is evident that France entered the lists heavily handicapped as compared with Germany and much more heavily burdened than either of her greater allies; unless we except Russia whose combined debt charge and military expenses pre-war absorbed 8.38 per cent of her national income, although her combined debt charge and military expenses were only \$3.61 per head of her population of 174 million souls.

Next to Great Britain the war cost France, per capita, more than any other ally and was a greater drain upon her annual national income. She about tied with Italy as to the cost in proportion to national wealth, say about 20 per cent as compared with 34.50 per cent in the case of Great Britain.

In addition to her direct cost, France suffered very heavy losses in the destruction of property in the territory where the fighting occurred, also in wear and tear upon her roads and railroads and in many other ways.

FRANCE

GOVERNMENT EXPENDITURES *a*

(In "Currency" dollars—000,000 omitted)

Years Ending December 31	1913	1914	1915	1916	1917	1918	1919
Debt, Interest and Management	252	263	354	663	958	1,388	1,561
Military	350	1,330	3,203	5,085	6,156	7,984	4,022
Reconstruction . . . . .	.....	1	3	66	133	95	1,854
Advances to Allies . . . . .	.....	19	174	676	487	394	1,068
Civil Government	289	298	447	518	760	906	1,646
<i>b</i> Total Expenditures . . .	891	1,911	4,181	7,008	8,494	10,767	10,151

FRANCE

GOVERNMENT EXPENDITURES *a*

(In "1913" dollars—000,000 omitted)

Years Ending December 31	1913	1914	1915	1916	1917	1918	1919
Debt, Interest and Management	252	257	253	353	366	410	438
Military	350	1,305	2,288	2,705	2,349	2,355	1,130
Reconstruction . . . . .	.....	1	2	35	51	28	521
Advances to Allies . . . . .	.....	19	124	359	186	116	300
Civil Government	289	291	319	276	290	267	462
<i>b</i> Total Expenditures . . .	891	1,873	2,986	3,728	3,242	3,176	2,851

*a*These figures are the appropriations made for each year and not the actual expenditures. In our summary tables, as explained in the text on page 25, we have adjusted these figures to balance with the total receipts from all sources.

*b*That is expenditures exclusive of those for public services. If these show a loss they are treated as a deduction from income. See Government Receipts, page 50.

ITALY'S WAR EXPENSES

The war cost Italy in "currency" dollars \$18,632,000,000. This amount, adjusted for inflation, comes down to \$4,489,000,000 in "1913" dollars. The distribution of the expenses was as follows:

WHAT THE WAR COST ITALY
FISCAL YEARS 1915-1920 INCLUSIVE
(In dollars—000,000 omitted)

Purpose	In "Cur- rency" Dollars	In "1913" Dollars	Per Cent. of Total	Expense Pre-war Basis	Per Cent. of Total
Public Debt Charge . . .	2,378	777	10.46	618	21.01
Military	15,349	5,407	72.76	1,062	36.10
Military Pensions	436	116	1.56	.....	.....
Other Special War Expenses	<i>a</i>	<i>a</i>	.....	.....	.....
Civil Government	3,213	1,083	14.57	1,262	42.89
Liberated Territories . . .	198	48	.65	.....	.....
Total Expenditures	21,574	7,431	100.00	2,942	100.00
<i>Deduct</i>					
Expenses Pre-war Basis . .	2,942	2,942			
GROSS COST OF THE WAR . .	18,632	4,489			
<i>Deduct</i>					
Loans from Allies	3,911	1,278			
NET COST OF THE WAR . . .	14,721	3,211			

*a*See text.

The effect of price inflation in swelling the apparent cost of the war is noticeable here as elsewhere.

Expenses Not Included in Table

In a report on the finances of Italy made to the League of Nations under date of April 30, 1922, Professor Riccardo Bachi, the distinguished Italian economist, states that, "For certain administrative and technical budgetary reasons, the

figures for actual expenditure prior to 1920-21 do not comprise the total amounts expended in those years, as certain large items did not appear in the budget—for example, important items such as food subsidies, fuel and maritime transport.”

ITALY
GOVERNMENT EXPENDITURES
(In “Currency” dollars—000,000 omitted)

Years Ending June 30	1914	1915	1916	1917	1918	1919	1920
Public Debt—Interest . . .	102	114	176	280	424	593	791
Military	177	622	1,595	2,825	3,984	4,669	1,654
Military Pensions . . . . .	.....	.....	.....	.....	93	343	.....
<i>a</i> Other Special Expenses due to the War . . . . .	.....	.....	.....	.....	.....	.....	.....
Civil Government	211	269	246	257	336	478	1,627
Liberated Territories . . . . .	.....	.....	.....	.....	.....	103	94
<i>b</i> Total Expenditures	490	1,005	2,017	3,362	4,837	6,186	4,166

ITALY
GOVERNMENT EXPENDITURES
(In “1913” dollars—000,000 omitted)

Years Ending June 30	1914	1915	1916	1917	1918	1919	1920
Public Debt—Interest . . .	102	106	103	120	116	157	176
Military	177	576	932	1,207	1,088	1,235	368
Military Pensions . . . . .	.....	.....	.....	.....	25	91	.....
<i>a</i> Other Special Expenses due to the War . . . . .	.....	.....	.....	.....	.....	.....	.....
Civil Government	211	249	144	110	92	126	361
Liberated Territories . . . . .	.....	.....	.....	.....	.....	27	21
<i>b</i> Total Expenditures	490	931	1,179	1,437	1,321	1,636	926

*a*During the war there were very large expenses of special commissions operating trading accounts, especially in wheat and other food stuffs. Such supplies were sold to the public much below cost. However, as the figures have not been published, they cannot be included in the table.

*b*Exclusive of expenditures for government services which are taken net. If they show a loss, such loss is treated as a deduction from income. See Government Receipts, page 54.

RUSSIA'S WAR EXPENDITURES

The end of the war so far as Russia was concerned, came on October 8, 1917. Then it was that the provisional government, the legal successor of the Russian Imperial Government, fell, and with it disappeared the juridical party engaged in the war.

Three years and three months of war had cost Russia, according to the careful estimates made by Doctor Boris Eliacheff, the best authority on this subject, \$19,954,000,000, currency values, or say \$7,658,000,000 in "1913" dollars.

These expenses were pro-rated as follows:

THE WAR TIME EXPENDITURES OF RUSSIA

FISCAL YEARS 1914 TO SEPTEMBER 15, 1917

(In dollars—000,000 omitted)

Purpose	In "Cur- rency" Dollars	In "1913" Dollars	Per Cent. of Total	Expense Pre-war Basis	Per Cent. of Total
Public Debt Charge	2,432	1,515	11.17	799	13.53
Military	15,551	6,381	47.06	1,504	25.48
Civil Government	7,582	5,373	39.62	3,600	60.99
Direct Expenditures	25,565	13,269	97.85	5,903	100.00
Loans to Allies	292	292	2.15	.....	.....
Total Expenditures	25,857	13,561	100.00	5,903	100.00
Deduct					
Expenses Pre-war Basis	5,903	5,903			
GROSS COST OF THE WAR	19,954	7,658			
Deduct					
Loans from Allies	3,625	2,289			
NET COST OF THE WAR	16,329	5,369			

Before the war the debt service required 13.7 per cent. of the total expenditure, 25.8 per cent. went to meet the expense

of national defense, and the civil expenses accounted for the remainder of the budget, about one-half being required for the conduct of the state monopolies.

The cost of the war, in currency dollars, may be apportioned as follows: say \$14,000,000,000 to increased expenses of the army and navy, about \$1,600,000,000 paid to the families of soldiers, and \$430,000,000 given to refugees. About \$1,000,000,000 were expended on the railways, of which amount around \$180,000,000 went for new construction and

RUSSIA

GOVERNMENT EXPENDITURES

(In "Currency" dollars—000,000 omitted)

Years Ending December 31	1914	1915	1916	1917 (8½ mos.)
Public Debt—Interest	226	499	653	1,054
Military	891	3,876	6,020	4,764
Civil Government	1,143	1,357	2,271	2,812
Loans to Allies (Gold to Great Britain). . . . .	.....	.....	195	97
Total Expenditures.	2,260	5,732	9,139	8,727

RUSSIA

GOVERNMENT EXPENDITURES

(In "1913" dollars—000,000 omitted)

Years Ending December 31	1914	1915	1916	1917 (8½ mos.)
Public Debt—Interest	226	406	435	448
Military	891	2,185	2,509	1,088
Civil Government	1,143	1,231	1,626	1,373
Total Expenditures.	2,260	3,822	4,570	2,909

For the receipts for these years see tables on page 56.

around \$300,000,000 for new rolling stock. Nearly \$100,000,000 were expended in the improvement of rivers and harbors, while the sum of over \$50,000,000 was expended in improving the postal and telegraph systems. The interest on the public debt amounted for the war period to \$1,633,000,000 more than on the pre-war basis, and gold lent to Great Britain to aid in keeping the American exchanges stable called for an outlay of \$292,000,000.

It should be kept in mind by the reader that all of these Russian figures are estimates made by competent investigators who had open to their observation many sources of information now closed and possibly destroyed. While the figures are not taken from audited accounts, it is believed that they closely reflect the true state of affairs.

WAR BURDEN OF THE UNITED STATES

From the beginning of hostilities, the United States was the leading source of supply for many raw materials required by the combatants. Large supplies of manufactured goods also were obtained by them in our country. While our markets were open to all nations alike, it is probable that the bulk of these munitions of war went to the Allies, for the blockade of North Sea ports made it difficult for Germany to obtain goods from abroad even through the channel of the neutral Dutch and Scandinavia states.

After our entry into the conflict, all of our vast material, as well as human resources, were of course used to win the war for the Allied cause. From the facts given in the closing paragraphs of the preceding chapter, some idea may be formed of what our co-operation meant to our associates in terms of goods and services.

Let us now observe what our effort meant when expressed in terms of money. The figures are as follows:

WAR TIME EXPENDITURES OF THE UNITED STATES

FISCAL YEARS 1916-17 TO 1919-20 INCLUSIVE

(In dollars—000,000 omitted)

Purpose	In "Cur- rency" Dollars	In "1913" Dollars	Per Cent. of Total	^a Expense Pre-war Basis	Per Cent. of Total
Public Debt Charge	1,863	881	4.38	92	3.21
Military	20,944	10,133	50.38	1,060	37.01
Military Pensions	1,062	546	2.71	708	24.72
Special Expenses due to the War	927	458	2.28	4	0.14
Civil Government	6,189	3,056	15.19	1,000	34.92
Direct Expenditure	30,985	15,074	74.94	2,864	100.00
Loans to Allies	9,523	5,041	25.06	.....	.....
Total Expenditure	40,508	20,115	100.00	2,864	100.00
Deduct Expenses, Pre-war Basis .	2,864	2,778			
COST OF THE WAR	37,644	17,337			

Direct Expenditure as above . .	30,985	15,074
Deduct Expenses, Pre-war Basis .	2,864	2,778
Cost of the War, exclusive of Loans	28,121	12,296

^a Average of the years 1915 to 1916 x 4.

The decrease in the purchasing power of the dollar is noticeable and yet, nominally at least, our currency was on a gold basis. What effect the liberal use of bank credits in financing the war might have had upon our price conditions, and therefore in swelling the nominal cost of the war, had the fighting continued a year or two longer, is an interesting speculation.

UNITED STATES
GOVERNMENT EXPENDITURES
(In "Currency" dollars—000,000 omitted)

Years Ending June 30	1914	1915	1916	1917	1918	1919	1920
Public Debt—Interest and Management	23	23	23	25	198	616	1,024
Military	256	260	279	660	7,026	11,239	2,019
Military Pensions	184	176	171	171	235	324	332
Other Special Expenses due to the War . . . . .	.....	3	.....	16	191	469	251
Civil Government	238	266	247	311	1,382	2,213	2,283
Direct Expenses	701	728	720	1,183	9,032	14,861	5,909
Loans to Allies . . . . .	.....	.....	.....	885	4,739	3,478	421
<i>a</i> Total Expenditures	701	728	720	2,068	13,771	18,339	6,330
Balance in Treasury	162	104	179	967	6624	1,226	360
	863	832	899	3,035	14,395	19,565	6,690

*a*Government services taken net; losses, if any, show as a deduction from income. See Government Receipts, page 61.

*b*On account of change in method of accounting, the amount of cash brought forward on July 1, 1919 was \$1,685 million or \$1,061 million in excess of the amount shown here as carried forward.

UNITED STATES
GOVERNMENT EXPENDITURES
(In "1913" dollars—000,000 omitted)

Years Ending June 30	1914	1915	1916	1917	1918	1919	1920
Public Debt—Interest and Management	23	23	21	16	106	308	451
Military	256	260	254	434	3,190	5,620	889
Military Pensions	184	176	155	113	126	162	146
Other Special Expenses due to the War . . . . .	.....	3	.....	11	102	234	111
Civil Government	238	266	224	204	739	1,107	1,006
Direct Expenses	701	728	654	778	4,263	7,431	2,603
Loans to Allies . . . . .	.....	.....	.....	582	2,534	1,739	185
<i>a</i> Total Expenditures	701	728	654	1,360	6,797	9,170	2,788

*a*Government services taken net; losses, if any, show as a deduction from income. See Government Receipts, page 61.

GERMANY'S WAR EXPENDITURES

The war cost Germany \$47,048,000,000 currency dollars; \$19,895,000,000 "1913" dollars. For the six years of war financing the purchasing power of the German government's mark averaged 42.28 per cent. of its pre-war value. This compares with 42.96 per cent. for the British government's pound and 33.40 per cent. for the French government's franc. Italy's lira, as used in government purchases, bought on the average only 24.09 per cent. as much as it would have bought in 1913, while the average buying power of our dollar as used in meeting government expenses was 47.39 of its purchasing power in 1913.

In considering war time financing, it is well to bear these percentages in mind. The debacle of the mark is absolutely a post-armistice phenomenon. It was not until the last part of the last fiscal year of the period of war financing that the purchasing power of the mark was seriously reduced.

Prices in July, 1919, were lower in Germany than they were in France or Italy. In October they were much higher than in any of the Allied countries, although their prices were all rising. By April of 1920, when prices reached their maximum in these countries; 664 for Italy, 588 for France, 313 for Great Britain, and 265 for the United States; Germany's prices had jumped to 1,567, about five times what they were in April, 1919. However, the average of prices for the fiscal year 1919-20 was only 736.

The war time expenditures of Germany are shown by the following table. For purpose of comparison we have added a column giving the pre-war expenses. It will be noted that in "1913" dollars the direct war expenditures were nearly seven times the pre-war rate of expenditure.

GERMANY'S WAR TIME EXPENDITURES
FISCAL YEARS 1914-15 TO 1919-20 INCLUSIVE
(In dollars—000,000 omitted)

Purpose	In "Cur- rency" Dollars	In "1913" Dollars	Per Cent. of Total	Expense Pre-war Basis	Per Cent. of Total
a Public Debt Charge	6,213	2,512	10.84	354	10.79
Military	31,412	16,248	70.10	2,118	64.53
Military Pensions	540	139	.60	.....	.....
Other Special War Expenses	4,500	1,482	6.39	.....	.....
Civil Government	5,618	1,506	6.50	810	24.68
Direct Expenditures	48,283	21,887	94.43	3,282	100.00
Loans to Allies	2,047	1,290	5.57	.....	.....
Total Expenditures	50,330	23,177	100.00	3,282	100.00
Deduct					
Expenses, Pre-war Basis . .	3,282	3,282			
COST OF THE WAR	47,048	19,895			
Direct Expenditures	48,283	21,887			
Deduct Expenses, Pre-war basis .	3,282	3,282			
Gross Cost of the War, exclusive of					
Loans	45,001	18,605			

a Includes some payments for amortization.

The growth in the debt charge was progressive but, stated in "currency" dollars, was especially great in the second half of the war. However, the purchasing power of these payments when received by the bondholders fell off very badly in the last year of the period under review.

The military expenses do not require special comment. Germany loaned to her allies over \$2,000,000,000 currency values; \$1,290,000,000 in "1913" values. The other special expenses due to the war, in the case of Germany, were chiefly for the loss incurred in providing foodstuffs for the consumption of the people at prices below cost to the government.

GERMANY

GOVERNMENT EXPENDITURES

(In "Currency" dollars—000,000 omitted)

Years Ending March 31	1914	1915	1916	1917	1918	1919	1920
<i>a</i> Public Debt—Interest and Management	58	110	320	622	1,552	1,611	1,998
<i>c</i> Military	440	1,802	5,585	5,599	9,000	7,187	4,286
Military Pensions		29	25	24	23	31	408
Other Special Expenses due to the War			116	282	1,028	864	2,210
Civil Government	164	147	84	86	785	795	3,721
<i>d</i> Total Expenditures	662	2,088	6,130	6,613	12,388	10,488	12,623

GERMANY

GOVERNMENT EXPENDITURES

(In "1913" dollars—000,000 omitted)

Years Ending March 31	1914	1915	1916	1917	1918	1919	1920
<i>a</i> Public Debt—Interest and Management	58	96	221	406	826	692	271
<i>b</i> Military	440	1,569	3,860	3,652	4,790	3,084	582
Military Pensions		25	17	16	12	13	56
Other Special Expenses due to the War			80	184	547	371	300
Civil Government	164	128	58	56	418	341	505
<i>d</i> Total Expenditures	662	1,818	4,236	4,314	6,593	4,501	1,714

*a*Include some payments for amortization.*b*Assumed to include loans made to her allies which totaled for period of the war \$1,290 million.*c*Assumed to include loans made to her allies which totaled for the period of the war, \$2,047 million.*d*Government receipts taken net, losses, if any, show as a deduction from income. See Government Receipts, page 70.

Civil expenditures did not develop any unusual features until the fiscal year 1919-20 when the first effect was felt of the change in governmental methods due to the transfer by the state governments to the imperial government of certain

functions formerly exercised by the states. Under the old régime the states reserved to themselves the privilege of levying direct taxes, contributing each year a small amount to the imperial treasury. The states also operated the railways within their borders as state monopolies. After the republican form of government was adopted, but under the old term of Reich, that is Empire, the states were divested, in favor of the imperial government, of many of their former sources of revenue. In taking these over, the imperial government also became liable for the cost of collecting the taxes. This change also involved the provision of office accommodations and fittings. Heavy expenditures were made in this year for the newly created Ministry of Labor, while the progress of post-war inflation made necessary provision for advances in salaries of government employees and in payments to pensioners to offset the high cost of living. Thus started the effort to match incomes paid in paper money of increasing volume and decreasing purchasing power with increasing living costs which has been a predominant phase of German government finances ever since. Expenses due to fulfilling the peace treaty appear in the accounts for the first time in the fiscal year 1919-20.

CHAPTER IV

How the War Was Paid For

WAR seems to be almost as inevitable as death. Yet when it comes, like death, it comes as a surprise. The nations engaged never really are ready for the conflict, in particular they are never financially ready. Therefore some quick method must be used to mobilize the financial resources and through them the industries upon the immediate and proper functioning of which the success of the conflict frequently depends.

Armies must be fed and clothed, the dependents of the soldiers likewise must be provided for. Industrial establishments must convert their plants from making articles used in times of peace to manufacturing munitions of war. If the war is across seas, shipping must be requisitioned and converted as carriers of troops and supplies. In short, over night, the whole nation must turn from its accustomed methods of living to others calculated "to win the war."

In such circumstances it is almost compulsory, in the first instance, at any rate, that resort be had to some form of borrowing. Later on, when there is time to make or to develop financial plans, steps can be taken to lay on heavier taxes. When this time arrives the nation which has an established taxing system capable of quick expansion has a great advantage over a nation which, in order to meet the emergency, must install new methods of taxation.

Financial Methods Used

On the "1913" dollar basis the total receipts for the period of war financing were derived 31.23 per cent from revenue

in its various forms and 68.77 per cent from borrowing. However, if we deduct from the revenue receipts, an amount equivalent to that which was being raised before the war, we find that, as shown by Statistical Table X, the receipts to meet the increased, or war, expenditures were derived 96.8 per cent from borrowing and only 3.2 per cent from increased revenue receipts.

Treasury Bills: The method of procedure simultaneously evolved in all the countries engaged in the Great War first was to print interest bearing treasury bills maturing within a year of the date of issue. Sometimes they matured in thirty days, again in sixty or ninety days, six, nine or twelve months. By the continental countries these treasury bills were offered for discount to their respective state banks, which banks in turn handed over to the national treasuries their own non-interest bearing circulating notes, that is to say what we popularly call bank notes—money. Thus the banks took interest-bearing paper for non-interest bearing paper which latter paper their respective national treasuries passed out to soldiers and civil servants for their pay, to contractors for supplies and to creditors of all kinds in payment of debts due to them. In England the procedure was different but the result was substantially the same. There the currency notes were issued by the Bank of England as agent for the national treasury against the direct deposit in trust of treasury bills and other collateral securities.

In Italy there is no national bank, but the three leading banks of issue accepted treasury bills from the government, to which they issued their currency notes. The government also made a direct issue of paper money.

In the United States the banks bought treasury bills, or as we call them “certificates of indebtedness.” [These they

had discounted by the federal reserve banks, obtaining their circulating notes or an open credit as they preferred.

In addition to this method of liquifying their resources for war exigencies, the various governments also offered their treasury bills directly to the public. These bills not only proved to be a popular form of investment for the banks and other financial institutions, but they also were largely purchased by individuals. This was especially true in France where, under the name of "national defense bills," they obtained a great vogue—a popularity in fact which they still enjoy.

Permanent Loans: The next step in war financing was to keep the market from becoming congested with this short term paper by funding such paper at intervals into bonds having a term of years to run before maturity. Therefore, again with substantial unanimity, the nations about once a year offered for sale great funding loans, agreeing to accept in payment the short treasury bills. However, the long loans were not wholly paid for in short government paper but also yielded in each case a substantial sum in cash.

Taxation: No governments except those of Great Britain and the United States, had the courage to ask their nationals to pay markedly heavier taxes.

It was comparatively easy for Great Britain to increase the incidence of the income tax and in this way to swell her income. The continental nations, except Italy, did not have this flexible tax. In France a general income tax was adopted by Parliament in 1914, but it was practically impossible to inaugurate it under the early war conditions, so that the national treasury derived but little benefit from its imposition until late in the war period.

When the United States came into the war in 1917, congress immediately increased the rates for the recently inau-

THE YEAR BY YEAR RECEIPTS FOR WAR

(In "1913" dollars—000,000 omitted)

	BORROWING										Deduct		In- creased Receipts or Receipts for War Amount
	REVENUE		Home		Foreign Market		From Allies		Total Borrowing		TOTAL RECEIPTS		
	Amt.	% Re- ceipts	Amt.	% Re- ceipts	Amt.	% Re- ceipts	Amt.	% Re- ceipts	Amt.	% Re- ceipts	Amt.	Per Capita	
<i>First Year</i>													
<i>a</i> Allies	4,585	48.20	4,354	45.76	162	1.70	413	4.34	4,929	51.80	9,514	21.73	4,269
Central Powers	1,590	37.05	2,418	50.33	69	1.61	215	5.01	2,702	62.05	4,292	20.81	2,422
All Belligerents	6,175	44.73	6,772	49.05	231	1.67	628	4.55	7,631	55.27	13,806	23.79	6,691
<i>Second Year</i>													
<i>a</i> Allies	4,021	25.04	9,383	60.53	471	3.04	1,627	10.49	11,481	74.06	15,502	35.57	10,257
Central Powers	1,110	15.77	5,471	77.73	78	1.11	379	5.30	5,928	84.23	7,038	48.87	5,168
All Belligerents	5,131	22.76	14,854	65.90	549	2.44	2,006	8.90	17,409	77.24	22,540	38.93	15,425
<i>Third Year</i>													
<i>a</i> Allies	4,761	24.60	11,102	57.35	1,202	6.21	2,292	11.84	14,596	75.40	19,357	39.65	13,312
Central Powers	1,271	17.54	5,549	76.56	69	0.95	359	4.95	5,977	82.46	7,248	50.33	5,378
All Belligerents	6,032	22.67	16,651	62.59	1,271	4.78	2,651	9.96	20,573	77.33	26,605	42.31	18,690
<i>Fourth Year</i>													
<i>a</i> Allies	6,655	28.00	13,047	56.65	411	1.78	2,919	12.67	16,377	71.10	23,032	41.75	17,396
Central Powers	2,216	24.83	6,580	73.73	69	0.77	60	0.67	6,709	75.17	8,925	61.98	7,055
All Belligerents	8,871	27.76	19,627	61.42	480	1.50	2,979	9.32	23,086	72.24	31,957	46.03	24,451
<i>Fifth Year</i>													
<i>a</i> Allies	6,170	29.53	12,533	59.08	23	0.11	2,170	10.38	14,726	70.47	20,896	56.80	16,405
Central Powers	1,504	23.43	4,780	74.48	69	1.08	65	1.01	4,914	76.57	6,418	44.57	4,512
All Belligerents	7,674	28.10	17,313	63.38	92	0.34	2,235	8.18	19,640	71.90	27,314	53.32	20,917
<i>Sixth Year</i>													
<i>a</i> Allies	7,658	65.16	3,659	31.13	— 64	— .54	499	4.25	4,094	34.84	11,752	31.52	7,278
Central Powers	547	28.15	1,299	66.86	69	3.55	28	1.44	1,396	71.85	1,943	20.67	1,155
All Belligerents	8,205	59.91	4,958	36.20	5	0.04	527	3.85	5,490	40.09	13,695	29.28	8,433

*a*In figuring percentages and per capita, Indian statistics eliminated, as the large population of India would give a misleading result.
*b*In figuring percentages and per capita, United States statistics eliminated in this year, as they only cover a period of three months.
*c*The pre-war receipts were almost wholly from revenue.

gured income tax. Other direct and indirect taxes also were imposed, so that the pressure of war costs was immediately felt by the people, many of whom for the first time were called upon directly to pay taxes to the federal government.

The table printed on page 43 shows the year by year financing of the war by each group of belligerents, while the Statistical Tables give similar statistics for the entire period of war financing for each of the active belligerents.

CHAPTER V

The Revenue Receipts of Each Power

1914-1920

IT may now be of interest briefly to review the sources of the revenue receipts of the chief powers during the war period. Let us see first of all how the nations composing the British Empire raised their revenues. We will begin with the Mother Country.

GREAT BRITAIN'S TAX-PAYING RECORD

Early in the war period those charged with the management of England's government finances decided to adopt for their guidance the principle that the revenue receipts at least should provide for the ordinary peace budget, also for the interest upon the debt and for an annual sum to be applied to its reduction. This ideal was fully realized and in addition there was a good surplus of revenue receipts for use toward meeting the military and other special war expenses. As we have remarked in another connection, "the provision of a sinking fund, while the debt was a growing one, may be criticised as chimerical, but doubtless it served a useful purpose as a fund to regulate the market for the war bonds; also the fact that, at the time of incurring the debt, provision was made for its ultimate payment, probably had a real value in establishing confidence in the obligations of the nation."

The main dependence of the English exchequer for revenue during the war was the income tax and its running mate, the "excess profits" tax. These two taxes yielded 57.22 per cent. of the total revenue receipts. The income tax demon-

strated its flexibility and its quality by the quick manner in which it responded to the needs of the hour. The machinery of collection was functioning and therefore an increase in rates was almost immediately reflected in larger receipts. Not only were the rates of taxation increased, but at the same time the exemptions were lowered.

The war profits tax, or as it was technically called "excess profits duty," was the principal new tax imposed. It was contended by the government, and in this contention they were upheld by a growing body of public opinion, that unusually large profits due to scarcity conditions created by government demand for munitions of war, and other unusual profits brought about by war conditions, should to a great degree be turned over to the government to assist it in meeting the war bills. This tax, originally placed in 1915 at 50 per cent, was increased in 1916 to 60 per cent and in 1917 to 80 per cent. It stood at this point until 1919 when it was reduced for a short time to 40 per cent. It was raised again in 1920 to 60 per cent, and finally removed in 1921. This tax has been characterized as "well intentioned" but unsound. Notwithstanding the fact that it produced about 25 per cent of the total war revenue, it is claimed that the tax brought many evils in its trail. It is said to have been passed on to the consumer and so to have become an indirect tax on commodities. It is said to have led to demands for increased wages and salaries, to have aided in inflation of credit and currency and to have materially increased the cost of necessary war materials.

As an illustration of the spirit which pervaded Great Britain at about the time this tax was first laid and the income and other taxes were increased, it may be of interest to call to mind that increases of taxation were demanded of the government by the people themselves—at least one deputa-

GREAT BRITAIN
GOVERNMENT RECEIPTS
(In "Currency" dollars—000,000 omitted)

Years Ended March 31	1914	1915	1916	1917	1918	1919	1920
Exchequer Balance . .	31	51	406	124	129	102	62
Tax Revenue							
Customs	173	188	290	344	347	500	727
Excise	193	206	298	274	189	289	651
Estate Duties	133	138	151	152	154	147	199
Property and Income	230	338	624	997	1,165	1,417	1,747
Excess Profits			1	681	1,072	1,387	1,411
Other	65	51	48	53	56	76	126
Total Tax	794	921	1,412	2,501	2,983	3,816	4,861
Post Office	30	17	35	37	47	66	-19
Sundry	21	38	62	123	286	315	1,443
Total Revenue . . .	845	976	1,509	2,661	3,316	4,197	6,285
Borrowing—Net		1,975	5,667	7,910	9,652	8,185	1,570
Total Net Receipts .	845	2,951	7,176	10,571	12,968	12,382	7,855
Total Resources	876	3,002	7,582	10,695	13,097	12,484	7,917

GREAT BRITAIN
GOVERNMENT RECEIPTS
(In "1913" dollars—000,000 omitted)

Years Ended March 31	1914	1915	1916	1917	1918	1919	1920
Tax Revenue							
Customs	173	178	217	202	164	220	277
Excise	193	194	222	162	89	127	248
Estate Duties	133	130	112	89	72	65	76
Property and Income	230	319	466	587	550	624	667
Excess Profits			1	400	505	611	539
Other	65	48	35	32	27	34	48
Total Tax	794	869	1,053	1,472	1,407	1,681	1,855
Post Office	30	16	26	22	22	29	-7
Sundry	21	36	47	72	135	139	550
Total Revenue . . .	845	921	1,126	1,566	1,564	1,849	2,398
Borrowing—Net		1,863	4,291	4,885	4,769	3,649	601
Total Net Receipts .	845	2,784	5,417	6,451	6,333	5,498	2,999

tion of business men, and probably others, waited upon the prime minister and the chancellor of the exchequer and demanded "an immediate increase in taxation."

The tables printed on page 47 give in detail in "currency" dollars and in "1913" dollars the revenue collections of Great Britain for each year of the war. It may be well to note here that in the case of Great Britain, as well as of all other nations, the receipts from government services and from government monopolies are net figures, that is, receipts less expenses of conducting the services or monopolies. If, unfortunately, these government business operations resulted in losses, instead of profits, the losses are treated as a deduction from income. This is done because in this book we are endeavoring to show the costs of government and the resources from which these costs are met. A loss on a government business can hardly be considered an expense of governing a country, therefore it becomes a direct charge on the taxpayers and adds the amount of this business loss to the taxpayer's burden of providing the funds for conducting the government. If, fortunately, the government monopoly or service results in a profit, the burden of the taxpayer is correspondingly lightened, although less efficient service than would come from private operation of the monopoly may indirectly prove disadvantageous to the taxpayer.

REVENUE COLLECTIONS IN FRANCE

The war period brought about some radical changes in the methods of taxation in use in France.

Just before the war, there was put upon the statute books the first general income tax law ever passed by parliament. This happened in July of 1914. The breaking out of the war

before the machinery for the operation of the law could be properly devised and set in motion deferred the time of its effective application. It was not until the post-war period that it yielded any worth while return.

Besides this general income tax, there were in use not less than three other forms of taxing incomes. The old direct taxes on real estate were converted into taxes on the income from real estate. The old taxes on doors and windows, trades and professions were succeeded by taxes on the income from industrial, commercial and agricultural profits and the income from salaries, wages, pensions, annuities and professional activities. The old tax upon transferable securities was made a straight tax upon the income from such securities.

The war profits tax, now repealed, yielded relatively large returns.

Another new tax was the "special tax on payments" which was first enforced in 1918 and in 1920 was superseded by the tax on "business turnover."

These were the principal new taxes which the war brought into being. For the rest of the added income from taxation recourse was had to increasing the rates of taxation under certain of the old forms of imposts with which the people were familiar, namely, the registration and stamp taxes, customs duties, excise and consumption taxes. These were supplemented by the profits from the state monopolies, the chief of which are tobacco and matches. The post office, telephone and telegraph are also state monopolies.

The foregoing facts in regard to the revenue receipts for the war period have been deduced from the table in "currency" dollars printed at the end of this section. It will be noted that, actually and proportionately, revenue receipts

gained in importance, while the receipts from borrowing diminished.

When we consider the purchasing power of the war time revenue receipts of France, the story is a different one. The increase in prices more than overcame the increase in revenue so that, as shown by the table in "1913" dollars, all classes of revenue receipts when calculated on this basis diminished, with the exception only of the tax on stocks and bonds and the new tax on payments. The detailed figures follow, statistics for the last pre-war year being given for comparative purposes.

FRANCE
GOVERNMENT RECEIPTS
(In "Currency" dollars—00,000 omitted)

Years Ended December 31	1913	1914	1915	1916	1917	1918	1919
Tax Receipts							
Customs	146	112	147	270	292	229	285
Excise	176	147	141	138	196	219	416
Succession	161	118	90	101	139	178	362
Income and Profits . .	1122	1118	106	106	181	246	336
Other	75	69	58	66	81	113	170
Total Tax	680	564	542	681	889	985	1,569
Government Services and Monopolies—Net							
Post Office—Tel. & Tel. Monopolies.	21	4	—8	—14	—13	—45	—136
Total Services and Monopolies—Net	92	87	84	94	103	102	141
Miscellaneous	113	91	76	80	90	57	5
Total Revenue	860	719	709	849	1,068	1,144	1,924
Borrowing—Net	36	1,081	3,634	4,562	6,600	7,503	8,782
Total Receipts	896	1,800	4,343	5,411	7,668	8,647	10,706

^aOld direct taxes—changed to tax on Income after January 1, 1915.

FRANCE

GOVERNMENT RECEIPTS

(In "1913" dollars—00,000 omitted)

Years Ended December 31	1913	1914	1915	1916	1917	1918	1919
Tax Receipts							
Customs	146	110	105	144	111	68	80
Excise	176	144	101	73	75	65	117
Succession	161	116	64	54	53	53	102
Income and Profits . .	a122	a116	75	56	69	72	94
Other	75	67	42	35	31	33	48
Total Tax	680	553	387	362	339	291	441
Government Services and Monopolies—Net							
Post Office—Tel. & Tel. Monopolies	21	4	-6	-8	-5	-13	-38
Total Services and Monopolies—Net	92	86	60	50	39	30	40
Miscellaneous	113	90	54	42	34	17	2
Total Revenue	860	706	506	451	407	338	541
Borrowing—Net	36	1,061	2,596	2,427	2,519	2,213	2,467
Total Receipts	896	1,767	3,102	2,878	2,926	2,551	3,008

aOld direct taxes—changed to tax on Income after January 1, 1915.

THE WAR REVENUES OF ITALY

Although Italy did not definitely become an active participant in the war until May, 1915, the preceding months had been a time of preparation for war, so that we have included the fiscal year ended June 30, 1915, as a war year for Italy so far as her finances were concerned.

As early as November, 1914, war financing was being actively discussed in Italian governmental circles and Finance Minister Rubini then resigned his portfolio because he was op-

posed to his colleagues' policy of meeting the expenses for military preparations by loans instead of by taxation.

Although the revenue receipts in currency for the fiscal year ended June 30, 1915, were identical with those for the previous fiscal year, this result was made possible only by an increase in miscellaneous revenues, including improved net returns from the state monopolies and services. Tax revenues declined about eight per cent. However in October, 1915, a decree was issued creating new taxes and increasing other taxes for the duration of the war. From 1916 on, tax collections steadily increased. For the first three years of the war period they exceeded the pre-war collections by about 25 per cent., for the second three years by over 170 per cent. The principal gains were in receipts from the income and excess profits taxes.

Professor Riccardo Bachi, the distinguished Italian economist, in a formal paper on Italy's war financing prepared for the League of Nations, says that "during the war and the period immediately following the policy adopted in respect of increased taxation was necessarily somewhat confused and hasty, and often resulted in rough and ready measures intended solely to obtain more money, irrespective of whether the nature of the tax itself were reasonable and the incidence equitable. An increase of revenue had to be obtained with the least possible delay, and a well considered and rational transformation of the system of taxation was not possible." Professor Bachi explains that for various reasons it was not found to be possible until quite recently "to work out a scheme for a more reasoned and general reform of taxation."

Italy for years monopolized for the benefit of the government the manufacture and sale of tobacco and of salt. In 1916-17 she added a monopoly of matches and in 1917-18 of

playing cards. The yield from these monopolized commodities was remarkable. This was especially true of tobacco, the sale price of which was raised several times.

The success of these so-called "industrial monopolies" led to the active discussion of a scheme whereby the government was to take over the trade in certain commodities in common use, such as coal, coffee, mineral oils, and the like. However, this program was strongly opposed in commercial and industrial circles, with the result that the only "commercial monopolies" arranged for were for the sale of coffee and its substitutes and of electric lamps. These commodities did not figure in the accounts until the last year of the period of war financing. Subsequently they were superseded by taxes on consumption and manufacture.

Italy also maintains a state lottery from which a considerable revenue is derived.

The Italian government owns and operates the railways the telegraph and telephone systems, and of course conducts the postal service of the kingdom. These government services yielded little net profit at any time during the war period and in the later years were distinctly unprofitable.

There are other apparent sources of income shown in the Italian financial statements which run into large figures. In pre-war statements they formed a negligible percentage of the revenues, but in each war year they figured more heavily, and for the second three years almost equalled the receipts from taxation. These would appear to be adventitious receipts but in the absence of any official explanation we can only guess at their nature. Probably a part of these receipts in 1919-20 may have come from the sale of surplus munitions of war. In part they may represent the profit obtained from the realization on foreign loans between the face value

of the loans and the proceeds in lire. Possibly they may represent the profit side of government purchases and sales of food for the populace, although most such operations, as we have already seen in the chapter on the cost of the war, resulted in heavy losses. The figures are so large that it would be of interest to know just what they represent.

Notwithstanding the substantial nominal increase in Italy's revenues for the war years over the pre-war basis of receipts, their purchasing power was only about the same as that of the pre-war revenue receipts.

Tables giving detailed figures for each year, both in "currency" dollars and in "1913" dollars, follow. The statistics for 1914 are given for comparative purposes.

ITALY
GOVERNMENT RECEIPTS
(In "Currency" dollars—000,000 omitted)

Years Ended June 30	1914	1915	1916	1917	1918	1919	1920
Revenue Receipts							
Customs and Corn Duty	66	40	60	91	103	102	99
Excise	54	49	64	87	84	97	134
Successions	11	11	14	16	18	26	32
Income and Profits . .	67	74	84	110	182	269	341
Other	91	95	118	182	229	283	345
Total Tax Revenue . .	289	269	340	486	616	777	951
Government Monopolies .	106	111	135	164	224	305	488
Government Services—Net	10	—3	10	34	8	—18	—224
State Domain	3	3	3	3	4	3	3
Sundry	50	78	199	311	556	724	1,426
Total Revenue	458	458	687	998	1,408	1,791	2,644
Borrowing—Net	32	547	1,330	2,364	3,429	4,395	1,522
Total Receipts	490	1,005	2,017	3,362	4,837	6,186	4,166

ITALY

GOVERNMENT RECEIPTS

(In "1913" dollars—000,000 omitted)

Years Ended June 30	1914	1915	1916	1917	1918	1919	1920
Revenue Receipts							
Customs and Corn Duty .	66	37	35	39	28	27	22
Excise	54	45	37	37	23	26	30
Successions	11	10	8	7	5	7	7
Income and Profits . .	67	69	49	47	50	71	76
Other	91	88	69	78	62	75	76
Total Tax Revenue .	289	249	198	208	168	206	211
Government Monopolies .	106	103	79	70	61	80	108
Government Services—Net	10	—3	6	14	2	—5	—50
State Domain	3	3	2	1	1	1	1
Sundry	50	72	117	133	152	192	317
Total Revenue	458	424	402	426	384	474	587
Borrowing—Net	32	507	778	1,010	937	1,163	338
Total Receipts	490	931	1,180	1,436	1,321	1,637	925

RUSSIA'S WAR FINANCING

The Russian pre-war budget was sometimes called a "drunken budget" because the alcohol monopoly produced such a large portion of the government's revenue.

Only about a month after the declaration of war this revenue was swept away by an ukase prohibiting the sale of alcoholic drinks. To offset this loss by increased taxation, an income tax was created in 1915 and increased by the provisional government in 1917, while a war-profits tax was introduced in 1916 and increased in 1917. Other new taxation was mainly indirect, and when productive, affected chiefly articles of large and general consumption, rather than

articles of luxury. The yield from increased taxation a little more than offset the losses from the discontinuance of the income from the alcohol monopoly.

Russia met 26.40 per cent. of her war time expenses from revenue receipts, but the cost of the war, that is the expenses of the war period in excess of the pre-war basis, was met almost wholly from the proceeds of loans, as shown by the following tables. For comparison statistics for the last pre-war year are also given.

RUSSIA
GOVERNMENT RECEIPTS
(In "Currency" dollars—000,000 omitted)

Years Ended December 31	1913	1914	1915	1916	1917 (8½ mos.)
Tax Receipts	624	592	756	780	2,570
Other Receipts	1,135	799	613	359	358
Total Revenue	1,759	1,391	1,369	1,139	2,928
Borrowing . . . . .	.....	868	4,363	8,000	5,799
Total Receipts	1,759	2,259	5,732	9,139	8,727

RUSSIA
GOVERNMENT RECEIPTS
(In "1913" dollars—000,000 omitted)

Years Ended December 31	1913	1914	1915	1916	1917 (8½ mos.)
Tax Receipts	624	592	504	390	856
Other Receipts	1,135	799	281	-51	33
Total Revenue	1,759	1,391	785	339	889
Borrowing . . . . .	.....	868	3,037	4,231	2,020
Total Receipts	1,759	2,259	3,822	4,570	2,909

UNITED STATES WAR TAXES

As we have noted when considering the cost of the war, the shadow of the war coming to the United States began to be cast as early as the fiscal year 1915-16, in which year military expenses were noticeably larger than they had been theretofore.

In the following year the expenses of the nine months which preceded the declaration of war by the United States increased 31 per cent over the expenses for the corresponding nine months of 1915-16. The tax receipts were one hundred million dollars higher in the 1915-16 year than they had been in the year previous, while in the pre-war nine months of the 1916-17 year they increased another fifty million dollars.

An important share of the increases in tax revenues in these two periods came from the newly instituted income tax which only began to function in 1913-14. The income tax with its associated tax, the excess profits tax, was destined to be the main support of the government, so far as revenue collections were concerned, during the coming war. Of the total tax receipts of the government for the years of war financing, 66.55 per cent came from this source.

As would have been expected, customs receipts were not as large on the average as in the pre-war years, but excise taxes heavily increased. These two groups of taxes accounted respectively for 6.25 per cent and 17.77 per cent of the tax receipts of the war period.

Then there was another classification of taxes which, with the excise taxes, the government reports group together under the comprehensive heading of "miscellaneous internal revenue." Exclusive of the excise taxes, these taxes accounted for the remaining 9.43 per cent of war tax receipts.

An analysis of the excise taxes and other miscellaneous internal revenue receipts may be of interest. Prior to the fiscal year 1919-20 the government derived a large and growing revenue from taxes on spirits and on fermented liquors. For the three years before 1917 these taxes yielded on the average \$232,500,000 a year. In 1916-17 the yield was \$284,000,000, in 1917-18 \$443,839,000, and in 1918-19 \$483,051,000. In 1919-20, the last year of the period of war financing, returns from these sources dropped to \$139,871,000. This was due, of course, to the adoption of the prohibition amendment to the constitution, the law giving effect to which was signed by the President on January 16, 1920. The yield from taxes on tobacco in its various forms rose from a pre-war average of \$83,000,000 to \$156,000,000 in 1918, \$206,000,000 in 1919, and \$296,000,000 in 1920.

A new form of taxation introduced in 1916-17 was the taxation on the transfer of estates, death duties or succession duties as they say in Europe. Beginning with a yield of \$6,077,000 in 1917, these taxes so increased in value to the government that in 1920 the income derived therefrom was over \$103,600,000.

Stamp duties of various kinds were a new, or shall we say revived, source of revenue, for they had been tried before.

An entirely new group of taxes was that dealing with transportation and communication receipts and admissions to places of amusement. Railroad fares and freight receipts, telegraph and telephone receipts, express companies' receipts, and the receipts from admissions to all kinds of entertainments were affected. The income produced was quite worth while, jumping from \$101,711,000 in 1917-18 to over \$379,000,000 in 1919-20.

Manufacturers' licenses on sales of automobiles and ac-

cessories brought in a good revenue, "soft drinks" and other articles of food dispensed at "soda fountains"—or soda bars, shall we say—also proved to be productive. The former group brought in over \$216,000,000 in 1920, jumping from \$51,000,000, in 1918, and the latter group yielded over \$110,000,000 in 1920, the first year in which collections were worth while, the yield in 1918 having been under a million dollars and in 1919 only a little more than six million dollars. So much for the war taxes.

The other revenue receipts were not important. The postal service yielded a small surplus, but this was due solely to a temporary increase of rates. The Panama Canal was operated at a slight loss. Sales of disused government property aggregated \$368,000,000, but as this property had cost far beyond the amount realized, the receipts from this source could hardly be classed as revenue. Revolving funds used by the Grain Corporation and the Housing Corporation returned to the treasury \$353,000,000, but again this sum was not properly a revenue receipt, although classed as such. All the various adventitious receipts aggregated \$1,043,000,000 for the war period.

All forms of revenue receipts, exclusive of borrowing, yielded \$16,556,000,000 for the four years of war financing, or 41.78 per cent of the total war time receipts of \$39,628,000,000; the remaining 58.22 per cent being borrowed. The form taken by the borrowing will be discussed in a later chapter. The revenue receipts were \$13,719,000,000 in excess of the pre-war basis of income from this source, which for the same period of four years would have been \$2,837,000,000; thus the revenue receipts for the war period were nearly five times what the yield would have been on the pre-war basis.

The foregoing statistics are all in "currency" dollars. The purchasing power of the dollar shrank during the war not quite as much as that of the pound sterling, the franc, the lira and the mark, but still very perceptibly. Therefore, we must not be surprised to find that the \$39,628,000,000 receipts in "currency" dollars for the war period, 1917 to 1920 inclusive, had a purchasing power measured by 1913 prices of only \$20,928,000,000.

Before leaving the subject of the revenue collections of the United States during the war, it may be of interest to note that with us very much the same thing happened as in Italy. Taxes were laid hurriedly and the mistake was made of multiplying the forms of taxation and thus complicating collections. On the other hand, it is evident that we were fortunate in having already adopted into our fiscal system the principle of taxing incomes. The comparative ease with which taxes on incomes can be increased, once the machinery for their collection has been set in operation, commends this form of taxation as one of the most convenient and desirable from the standpoint of the state. During the war the mistake was made of adopting schedules which were extremely confusing and unnecessarily complicated. This largely was due to the fact of our lack of experience with this form of taxation.

The excess profits tax which was done away with in 1918 came in for much adverse criticism. Secretary of the Treasury Glass, in an official statement characterized it in 1917 as so complex that it had proved to be impossible to keep up the administrative work of audit and assessment. He also criticised it because of the unevenness of its incidence. The tax also came in for criticisms similar to those which were applied to the like tax in England, that it tended to extravagance and to an effort to pass it on the consumer.

UNITED STATES
GOVERNMENT RECEIPTS

(In "Currency" dollars—000,000 omitted)

Years Ended June 30	1916	1917	1918	1919	1920
Treasury Balance at beginning of year	104	179	967	1,685	1,226
Tax Receipts					
Customs	213	226	183	183	324
Excise	336	415	652	776	763
Successions . . . . .	.....	6	48	82	104
Income and Profits	125	360	2,839	2,601	3,957
Other	52	28	157	382	575
Total Tax	726	1,035	3,879	4,024	5,723
Miscellaneous Revenue	29	48	206	430	168
Government Services—Net					
Post Office	-7	3	45	88	-45
Panama Canal	-12	-10	-11	-4	3
Total Services—Net	-19	-7	34	84	-42
Sundry	25	30	41	104	799
Total Revenue	761	1,106	4,160	4,642	6,648
Borrowing—Net	34	1,750	9,268	13,238	-1,184
Total Receipts	795	2,856	13,428	17,880	5,464
Total Resources	899	3,035	14,395	19,565	6,690

UNITED STATES
GOVERNMENT RECEIPTS

(In "1913" dollars—000,000 omitted)

Years Ended June 30	1916	1917	1918	1919	1920
Tax Receipts					
Customs	194	149	98	91	143
Excise	305	273	349	388	336
Successions . . . . .	.....	4	26	41	46
Income and Profits	114	237	1,518	1,301	1,743
Other	47	18	84	191	253
Total Tax	660	681	2,075	2,012	2,521
Miscellaneous Revenue	26	32	110	215	74
Government Services—Net					
Sundry	23	20	22	52	352
Total Revenue	692	728	2,225	2,321	2,928
Borrowing—Net	31	1,151	4,956	6,619	.....
Total Receipts	723	1,879	7,181	8,940	2,928

GERMANY'S WAR-TIME REVENUES

The remarks and statistics which follow are based upon a Memorandum on the Financial Position of the Reich presented to the Reichstag on July 29, 1920, by the Minister of Finance, Dr. Wirth.

The war found the Germans by their own admission badly prepared financially, because so far as the imperial government was concerned no direct sources of taxation existed which could be expanded to yield the necessary increased receipts. In fact the whole financial policy of the empire was influenced by the absence of elastic direct taxes, and was founded on the principle of providing by loan all costs of the war, thus putting the burden of war expenditure upon the future. Dr. Wirth says:

“The financial difficulties of the empire were not quite so apparent during the first two years of the war. The national household continued to live on the stores accumulated in time of peace. Similarly, there may have been at that time an even level between production and consumption at home, and the material and physical resources of the nation had not been as sharply strained as necessity required in the later years of the war. Further, during the first few years of the war it was possible to provide the money for carrying on the war by the issue of funded loans and to convert the floating debt into funded debt, at least to a large extent; therefore the volume of floating debt only expanded slowly. Stocks of commodities of all kinds which existed at the beginning of the war could be liquidated and the proceeds converted into war loans, thus preventing inflation, caused by increased floating debt, for a considerable time. In addition, the government fixed a maximum of prices for things in short supply and kept the general level of prices within bounds, and the budget re-

quirements were consequently still bearable during that period. Temporary advances on account of the high cost of living granted during the first half of wartime were moderate and the existence of these conditions had a wholesome influence on the prices of war material, and yet the internal condition of the empire's finances grew worse."

It will be seen that Dr. Wirth admits that even during the first two years of the war the financial position of the empire had become difficult. The development of the finances of the empire from the last year of peace onwards is shown in the following recapitulation, stating revenue without the amounts derived from loans and floating debt and outgoings of the ordinary and extraordinary budgets combined. The figures are "net," that is less cost of collecting the revenues, and are in currency except for the supplementary columns in "1913" dollars in the first table. The figures for 1919-1920 were given by Dr. Wirth subject to final audit.

TABLE I—GERMAN EMPIRE
TOTAL REVENUE AND EXPENDITURE 1914-1920
(In dollars—00,000 omitted)

Fiscal Year Ended March 31	TOTAL REVENUE IN- CLUDING PROFIT & LOSS FROM THE SERVICES OF IMPERIAL WORKS		TOTAL EXPENDITURE		Per Cent. Revenue to Expendi- ture
	"Currency" Dollars	"1913" Dollars	"Currency" Dollars	"1913" Dollars	
1914	527,8	527,8	604,0	604,0	97.38
1915	559,4	487,2	2,059,6	1,794,0	27.16
1916	412,9	285,3	6,118,5	4,228,4	6.75
1917	482,8	315,0	6,602,3	4,306,7	7.31
1918	1,863,5	991,8	12,379,6	6,588,3	15.05
1919	1,617,0	694,0	10,479,3	4,497,5	15.43
1920	2,102,4	285,4	17,708,4	2,404,3	11.87
Total for War years 1915-20	7,038,0	3,058,7	55,347,7	23,819,2	12.72

Dr. Wirth lists the net revenue in five principal groups as follows:

TABLE II—GERMAN EMPIRE
PRINCIPAL GROUPS OF REVENUE 1914-1920
(In "Currency" dollars—00,000 omitted)
Cost of Administration Deducted

Fiscal Year Ending March 31	Profit or Loss of the Adminis- trations of Imperial Works	Revenue from Customs, Taxes and Fees	Non- Recurring Revenue	Surplus from Previous Years	Other Revenue	Total per Table I
1914.	33,5	402,9	0,2	64,8	26,3	527,8
1915.	-12,7	381,0	151,7	12,8	26,6	559,4
1916.	-10,0	265,1	73,2	5,0	79,6	412,9
1917.	-12,0	342,6	15,5	52,3	84,4	482,8
1918.	-33,2	545,2	1,155,0	.....	196,5	1,863,5
1919.	-141,9	838,9	573,6	.....	346,4	1,617,0
1920.	-218,7	1,533,9	279,7	.....	507,5	2,102,4
Total for War Years 1915-20	-428,5	3,906,7	2,248,7	70,1	1,241,0	7,038,0

Imperial Works Revenues: As shown by Table III, after 1914, imperial works, which included the post and telegraph services, imperial railways, and the imperial printing office were operated at a loss for the six fiscal years 1915 to 1920 inclusive, equivalent to about \$429,000,000. The principal loss was in the postal and telegraph services. This amounted to \$408,000,000. The loss in operating the imperial railways was about \$23,000,000, while the imperial printing office showed a profit of \$2,500,000.

These losses did not really become serious until 1919 when they reached nearly \$142,000,000. In 1920 the loss was not quite \$219,000,000. The reasons given for these losses are that it was impossible to adjust tariffs quickly enough to keep pace with growing costs, especially of wages and salaries.

TABLE III—GERMAN EMPIRE

NET REVENUE FROM THE ADMINISTRATIONS OF IMPERIAL WORKS 1914-20

(In "Currency" dollars—00,000 omitted)

Fiscal Year Ending March 31	Post and Telegraph Office Including Compensating Amounts from Bavaria and Württemberg	Imperial Railways	Imperial Printing Office	Total per Col. 1 Table II
1914.	25,0	7,3	1,2	33,5
1915.	-10,3	-3,8	1,4	-12,7
1916.	-10,4	-1,3	1,7	-10,0
1917.	-15,2	2,3	0,9	-12,0
1918.	-27,1	-7,0	0,9	-33,2
1919.	-131,4	-12,7	2,2	-141,9
1920.	-213,8	-0,3	-4,6	-218,7
Total for War Years 1915-20	-408,2	-22,8	2,5	-428,5

Tax Revenues: Analysing the revenue from customs, taxes and fees as per Table IV, attention is drawn by Doctor Wirth to the great variations in the curve of each particular item. He states that this is partly due to the fact that the yield of the various sources of revenue had not been in accordance with the estimates upon which rates were based, and partly because the shrinkage of consuming ability had not affected every group of taxable values in the same ratio. The table gives the return from revenue collections for the fiscal years 1914 to 1920 inclusive.

Customs:—The customs provided the most remunerative source of revenue before the war: about 40 per cent. of the entire revenue receipts of the imperial government. After the war began, this was the most vulnerable source of revenue. Some important duties had to be suspended for the duration

of the war, others withered from year to year under the influence of the constantly tightening blockade of Germany's foreign trade. The total revenue from customs in 1919 was less than one-fifth of their yield in 1914.

Excise Taxes: After a temporary large increase in the alcohol and beer taxes in 1915, these imposts yielded a steadily diminishing revenue until 1919, when they picked up slightly and then largely increased in 1920. This improvement in 1919 and 1920 was due to a higher tax on alcohol, but the higher tax also reduced consumption.

On the other hand, the tax on tobacco yielded a larger revenue each year, the yield in 1920 being over 13 times the yield of 1914. This is attributed partly to an increase in the rate of tax, but especially to an extraordinary demand for cigarettes. Another commodity, the tax on which assisted in swelling the excise taxes, was coal. This tax which was

TABLE IV—GERMAN EMPIRE

NET REVENUE FROM CUSTOMS, TAXES AND FEES 1914-1920

(In "Currency" dollars—00,000 omitted)

Fiscal Year Ending March 31	Cus- toms	Excise	Stamp Duties Including Bill Stamps	Taxes on Traffic Including Statistic Fees	Tax on Turn- over	Direct Taxa- tion	Other Taxes	Total per Col. 2 Table II
1914	161,7	157,4	60,6	0,5	.....	14,7	8,0	402,9
1915	133,4	185,1	43,1	0,3	.....	11,0	8,1	381,0
1916	85,6	123,3	39,3	0,2	.....	11,8	4,9	265,1
1917	82,9	159,7	59,5	21,5	.....	15,6	3,4	342,6
1918	55,4	286,2	110,9	50,4	.....	41,0	1,3	545,2
1919	31,6	483,7	121,6	125,6	35,8	39,8	0,8	838,9
1920	255,1	730,1	185,1	161,2	163,4	38,1	0,9	1,533,9
Total for War Years 1915-20	644,0	1,968,1	559,5	359,2	199,2	157,3	19,4	3,906,7

first introduced in 1917, yielded nearly half of the total excise receipts in 1920.

Coal Tax: The coal tax, as imposed up to March 31, 1920, was assessed at the rate of 20 per cent. of the value of coal at the mines. The only coal exempt from the tax was that necessary for the consumption of the mines for maintenance of the works and under certain conditions for the production of oil and similar products and the coal supply for domestic use of the miners and other employees. The increased income from the coal tax is attributed by German authorities, not to a larger output—it is stated that the output as compared with the time of peace had decreased—but to the continual rise in the price of coal at the mines. The tax is one that can be passed on to some one else and, therefore, affects practically all industries, the railways, shipping, electric and gas works and the entire population requiring coal for any use. Therefore, this tax burdens very sensibly the entire economic life of the country and is felt in every home. Since 1920 this tax has continued to be the tax bringing the largest return to the imperial treasury, and with the exception of the income and turnover taxes the most productive of all taxes levied. For the year ended March 31, 1923, it was expected to be more productive of income even than the two taxes last mentioned.

Stamp Duties: The return from stamp taxes, which form of taxes had been in use pre-war, fell off in the fiscal years ending March 31, 1915 and 1916 but increased again in 1917 and became of importance thereafter, being levied to cover some additional lines of business, while the rates were increased also. These taxes are levied on partnership agreements, on securities, on insurance documents, on real estate purchases, on passenger and freight traffic of the railways

and on entertainments; even on the fees of directors in corporations. To the increase in new corporations and in the general broadening of insurance, together with a revision in rates, is attributed the increases in stamp duties.

The yield was progressive. In 1917 the net return was \$59,571,000; it was \$110,955,000 in 1918 and \$185,140,000 in 1920.

The yield of the other taxes was so small that they do not call for detailed comment.

Non-Recurring Revenue

In addition to the usual sources of taxation, there were several new methods of taxation tried out in Germany during the war and immediately thereafter. These Dr. Wirth calls non-recurring direct taxes.

As shown in Table II, column three, these taxes produced \$2,248,700,000 in the six war years. Of this amount, \$232,000,000 was obtained from the tax on capital, or "defence tax" as it was also called. This we have already noted was inaugurated in 1913 in connection with the non-recurring expenses of increasing the military establishment.

The extraordinary war levy of 1916 was the outcome of a recommendation made by Finance Minister Helferrich in connection with the request for the December, 1915, vote of credit. It was a war profits tax levied as part of a general impost upon all gains from January, 1914, to January, 1917. Persons whose profits had been augmented by the war were instructed to hold 50 per cent of such profits in reserve for the payment of the tax. The law imposing the tax was enacted in June, 1916. Similar war profits taxes were levied in 1918 and 1919. There was also levied in 1919 a war tax on the increment of wealth.

These taxes are referred to by Dr. Wirth as "The chief success of tax legislation during the war."

The extraordinary war levy under the law of 1916, plus surcharge, brought in \$1,375,000,000; that under the law of 1918 brought in \$639,000,000. Not much had been realized on the special taxes of 1919 up to the close of the fiscal year, March 31, 1920.

Concluding Remarks

The "other revenue," listed in the next to the last column of Table II, was chiefly derived from banking, coming from the Reichsbank and the Darlehnskassen.

It will be noted that the total net revenue receipts for the six years of war financing amounted to only 12.72 per cent of the total expenditure.

The figures used all through this discussion are for "net" revenue, presumably revenue less cost of collection. We have used the figures as given by Dr. Wirth, simply turning marks into dollars at par of exchange.

In tables printed below may be found the statistics as published in the statistical year books of the German Empire. These figures are done into dollars at par of exchange; also, adjusted to the 1913 purchasing power basis, that is in "1913" dollars. The figures differ considerably from Dr. Wirth's presumably because the revenues are given gross while the expenses include the cost of collection of revenues. This is the method of reporting financial statistics followed by other nations; therefore these latter figures are the proper ones to use in making comparison with the receipts and expenses of other nations and for this reason they have been used in our comparative tables. However, the year book figures lack

details and therefore Dr. Wirth's statistics as given above are especially valuable for the purposes of this chapter.

GERMANY

GOVERNMENT RECEIPTS

(In "Currency" dollars—000,000 omitted)

Years Ended March 31	1914	1915	1916	1917	1918	1919	1920
Revenue							
Ordinary	611	588	434	505	1,906	1,760	2,607
Extraordinary . .	19	88	27	22	545	89	681
Total	630	676	461	527	2,451	1,849	3,288
Government Services—Net .	23	—1	—11	—12	—34	—86	—7
Total Revenue	653	675	450	515	2,417	1,763	3,281
Borrowing	9	1,413	5,680	6,098	9,971	8,725	9,342
Total Receipts	662	2,088	6,130	6,613	12,388	10,488	12,623

GERMANY

GOVERNMENT RECEIPTS

(In "1913" dollars—000,000 omitted)

Years Ended March 31	1914	1915	1916	1917	1918	1919	1920
Revenue							
Ordinary	611	512	300	329	1,014	755	354
Extraordinary . .	19	77	19	15	290	38	92
Total	630	589	319	344	1,304	793	446
Government Services	23	—1	—8	—8	—18	—37	—1
Total Revenue	653	588	311	336	1,286	756	445
Borrowing	9	1,230	3,925	3,978	5,307	3,745	1,269
Total Receipts	662	1,818	4,236	4,314	6,593	4,501	1,714

CHAPTER VI

Borrowing in Home and Foreign Markets

1914-1920

AS shown by Statistical Table X, on the "1913" dollar basis, 97 per cent of the receipts of the belligerent governments for war came from borrowing. The German group borrowed all of their requirements, while the Allied group borrowed around 94 per cent. The difference is not as great as is generally believed to have been the case. The fact is that the war was financed by inflation of the currency, or through bank credits, to a greater or less degree in every country which was engaged in the struggle.

Home borrowing provided $83\frac{1}{2}$ per cent of the sinews of war for all the nations involved; say 77.2 per cent in the case of the Allies and 100 per cent in the case of their opponents. The internal borrowing, proceeding along the lines of least resistance was aided first of all from the State banks by utilizing their note issuing powers against discounted treasury bills as already explained beginning at page 40; then it took the form of borrowing from the business banks and the general public on short time paper and, finally, of the sale of bonds payable in the future.

Borrowing in foreign markets which yielded only a little over one per cent of the receipts for war while quite unimportant as to amount, was very important when the fact is borne in mind that it was through the medium of such loans that certain absolutely essential raw materials of warfare, such as cotton, rubber, copper, steel, chemicals and other munitions were obtained in the early years of the war.

The inter-ally loans, what our French friends call the "political loans," provided the remaining 11.7 per cent of the receipts. These loans we will discuss in subsequent chapters. In this chapter we will consider the home and foreign market borrowings.

Public Debts vs. Currency

It is a difficult matter to present a statement of the public debts of a nation when the purchasing power of its money is constantly changing. If there is no stipulation to the contrary, a government debt is payable in the currency of the country. If this currency depreciates in purchasing power at the time a debt matures, as compared with its purchasing power when the debt was contracted, the government is the gainer. On the contrary, if the currency has a greater purchasing power when a debt falls due than it had when it was contracted, the bond-holder has the advantage. Of course, if it is stipulated in the bond that the debt is payable in "gold coin" of a particular weight and fineness, then gains or losses due to depreciation or appreciation in the purchasing power of the currency are to a great extent eliminated. Such a stipulation is usually made in the case of debts contracted in foreign markets, but internal government debts are usually payable simply in the currency of the country.

Thus the purchasing power of money obtained from borrowing is one thing, but the purchasing power of the money required to pay a debt off may be quite different. For example, suppose a debt of \$10,000,000 to have been contracted when the currency was "as good as gold," but that when it matures the currency is worth in gold only 50 per cent of its face value; obviously the government gains \$5,000,000 when

paying the obligation and the lenders lose this amount. This is what has been happening all over the world, notably in the case of Germany and of German corporations where currency debts contracted pre-war have been paid off at par in marks which would hardly pay for a good dinner or perhaps even a carfare.

On the other hand, this works out just the other way around in the case of a solvent state such as France, Italy, England or the United States. For example, take our Civil War debt, some of which was contracted in currency dollars with a buying power of only forty or fifty cents in gold, but was paid off in a dollar worth one hundred cents in gold.

The Interest Burden

Every solvent nation is facing today the same situation, which may in time involve a very serious loss. However, the problem for a national treasury is not so much one of paying off principal as it is one of the annual interest charge. It is in this connection, doubtless, as time goes on, that adjustments can be made which will appreciably lighten the burden of the war debts and this possibility will encourage the adoption of measures calculated to improve the credit of the nations. As credit improves, debt can be refunded at lower rates of interest and the day of final payment of the principal need not concern the present generation or even later generations.

Growing Up to the Debt

Meanwhile, increasing wealth due to the adaptation to the uses of trade and commerce of scientific discoveries may bring national fortunes and national debts into much better rela-

tion than is the case today. It was because of the utilization of the work of scientists in developing steam, electricity and mechanics that the world recovered quite quickly from the ravages of the hundred years of almost continuous warfare which ended with the battle of Waterloo in 1815 and that nations "grew up" to debts contracted in those years of fighting.

The Debts Stated

For the reasons just given, it seems necessary in stating national debts to deal primarily with par values, although the burden of interest charge may properly be measured in "1913" dollars. However, it is desirable to see just what the debts would amount to if they were repayable now or at some other given date and it were possible to refund them into currencies of, say "1913" purchasing power; or into dollars at rates of exchange current for the dates for which statements are made. The following table compares the debts of the opposing groups of belligerents as they stood just before the war, with their status about the time the United States came into the fray and at the close of the war, say at the end of 1919 (or for the close of the fiscal year 1919-20). The figures are given at face value; also on the "1913" dollar basis and at the rate of exchange on New York current at the time.

The tables do not require extended comment. The disadvantage which solvent nations will face if compelled to pay off their debts when money has appreciated in value is obvious. Tables setting forth the debts of each nation at the same dates, classified as to their character, may be found among the Statistical Tables.

NATIONAL DEBTS

(In "Currency" dollars—000,000 omitted)

	ALLIED POWERS			CENTRAL POWERS			ALL BELLIGERENTS		
	Total	Per Cap-ita	Per Cent. Wealth	Total	Per Cap-ita	Per Cent. Wealth	Total	Per Cap-ita	Per Cent. Wealth
Pre-war									
1913-14 . .	25,727	33	5.08	6,258	43	5.07	31,985	35	5.07
(Less India)	24,231	45	5.08	.....	.....	.....	30,489	45	5.08
Mid-War									
1916-17 . .	77,536	99	15.31	29,994	208	24.28	107,530	116	17.06
(Less India)	75,990	142	15.94	.....	.....	.....	105,984	156	17.66
Post-war . .									
1919-20 . .	166,425	213	30.61	71,112	494	94.19	237,537	257	38.29
(Less India)	164,159	306	32.28	.....	.....	.....	235,271	346	40.28

(In "1913" dollars—000,000 omitted)

Pre-war									
1913-14 . .	25,727	33	5.08	6,258	43	5.07	31,985	35	5.07
(Less India)	24,231	45	5.08	.....	.....	.....	30,489	45	5.08
Mid-war									
1916-17 . .	35,141	45	6.94	19,459	135	1.57	54,600	59	8.66
(Less India)	33,933	63	7.12	.....	.....	.....	53,392	78	8.90
Post-war									
1919-20 . .	53,084	68	9.77	14,974	104	19.83	68,058	74	10.99
(Less India)	51,467	96	10.44	.....	.....	.....	66,441	98	11.37

(In dollars at Exchange Rate on New York—000,000 omitted)

Pre-war									
1913-14 . .	25,727	33	5.08	6,258	43	5.07	31,985	35	5.07
(Less India)	24,231	45	5.08	.....	.....	.....	30,489	45	5.08
Mid-war									
1916-17 . .	65,631	84	12.95	21,065	146	17.06	86,698	94	13.76
(Less India)	64,100	119	13.45	.....	.....	.....	85,167	125	14.19
Post-war . .									
1919-20 . .	118,664	152	21.83	6,096	42	8.07	124,760	135	20.15
(Less India)	116,389	217	22.88	.....	.....	.....	122,485	180	20.97

Per capita statistics in whole figures.

Internal Funded Debts

At the close of the period of war financing as shown by Statistical Table XVIII, the domestic debts were divided between floating and funded debts in the proportions of 39.01 per cent floating and 60.99 per cent funded.

Very much the same methods were used in each country to sell the permanent loans. Purchasing was made easy by allowing payments to be made in several instalments and by arranging to have the business and state banks make temporary loans secured by the new bonds so as to encourage the public to buy to the limit of their resources. Permanent loans were not offered oftener than twice a year and in several cases at wider intervals. This gave time for the purchasers to pay off their bank loans and fully to complete the payment for one issue before another was bought out.

Great spectacular campaigns were carried on to stimulate interest in the loans. Brass bands, picture posters pasted everywhere, even on the walls of public buildings, mass meetings, appeals in churches, schools and places of amusement, were all employed to secure a maximum subscription. "Lend your money while your boys are giving their lives" was one of many effective slogans. Speeches by wounded men and by men temporarily brought in from the battle-front were especially useful in winning subscribers.

Partial payment plans by which employees in factory, store and office could pay for bonds out of their weekly or monthly pay envelope proved to be very helpful, while the War Savings Stamps and Certificates made it possible for the school children's pennies and the widows' mites to swell the funds put at the disposal of the various governments.

Much of the money for the conduct of the war was lent

to the governments at a great sacrifice by those whose incomes were steadily shrinking in purchasing power, because of the abnormal war demand for goods and the policies of inflation everywhere in use.

Borrowing in Foreign Markets

Early in the war the necessity of creating credits abroad against which could be obtained absolutely essential raw materials and other munitions of war, as well as food for the civilian population, led to arrangements being made to place loans in the markets of allied and neutral governments. Germany succeeded in placing a small loan, around \$10,000,000, in the United States and she also established credits in the Netherlands, in the Scandinavian countries, in Switzerland and probably early in the war in Italy. She was assisted in arranging these credits by the fact that she had considerable foreign investments which could be utilized for the purpose. She probably was able to obtain certain much needed supplies in the Balkan countries against trade credits. However, not much is known as to these financial operations.

The London market was open to the Allies and trade credits were arranged with the British dominions, with the neutral powers of Europe and South America and especially in the United States. Thus in exchange for direct or indirect credits the Allies obtained nitrates from Chile, wool from Australia and New Zealand, hides and grain from Argentina, coffee from Brazil, grain from Canada, cotton from India, gold from South Africa and vast quantities of munitions of all kinds from the United States.

England and France were greatly aided in establishing these credits by their ability to utilize their investments in foreign countries accumulated over a long period of years of

prosperity and saving. Russia had no important foreign investments and but little gold so she had to do her financing vicariously through London and Paris, although she seems to have been able to establish a few direct credits. Italy was in much the same position and therefore to a great extent had to look to her allies for the financing of her needs in neutral markets.

Measured in "currency" dollars, the purchases by the Allies in foreign markets financed by loans placed in such markets aggregated about three billion dollars, practically all of them prior to the entrance of the United States into the arena. England borrowed \$1,444,000,000; the English dominions about \$105,000,000; France, \$1,084,000,000 and Russia \$338,000,000—in all \$2,971,000,000. However, making allowances for repayments by some countries, the net amount owing in 1920, as shown by Statistical Table IX, was \$2,528,000,000.

In the next chapter we discuss in greater detail the borrowing methods and the income realized therefrom of each of the larger belligerents.

CHAPTER VII

Market Borrowing of Each Belligerent

1914-1920

AT this point the reader may profitably turn to the chapters on wealth and income. A perusal of these chapters will give one a good idea of the relative economic strength of the belligerent nations at the beginning of the war and today.

The sections of these chapters dealing with the question of foreign investments and foreign indebtedness have a direct bearing upon the reasons why certain of the powers at war could freely obtain foreign goods. This was because they could pay for them either in gold of which they had a limited supply, or especially that they could pay foreign farmers, manufacturers or merchants for their goods in the money of their own country. This money was obtained either by the direct sale on their stock exchanges of the national, state, municipal or corporation stocks and bonds of the nations from which the munitions were being bought, or by arranging loans secured by such collateral through the bankers of these nations. These stocks or bonds were borrowed or bought by their governments from citizens of the buying nations who had acquired them in former years by investment of their savings. In cases where securities were bought, the seller was paid in home currencies; where the securities were borrowed the owners received interest-bearing receipts and usually a bonus "for use" of the collateral.

Nations with small foreign investments, like Russia for example, could arrange direct purchases only to a limited degree and therefore could obtain any important amount of foreign goods only by availing of the good offices of allies

who could command credit in the seller's market, or at any rate in some market which was in a position to export to the nation whose nationals were supplying munitions, goods which could be marketed within its borders. The exchange of credits between governments—the inter-ally borrowing—which these three-cornered arrangements involved will be discussed in the chapters on the inter-ally loans.

This chapter deals with the direct domestic and foreign market borrowing on the part of the larger powers. For general statistics of such borrowing by all belligerents, reference may be made to Statistical Tables IX to XIV inclusive. The status of national debts at the close of the fiscal years 1916-17, 1919-20 and 1922-23 is given in Statistical Tables XV to XXIII.

GREAT BRITAIN'S MARKET BORROWING FOR WAR

We have already seen that the heaviest burden of war financing of the Allies fell on the national group composing the British Empire. Great Britain was the banker for this group and, until the United States came into the situation, to a great extent for her other allies. It will be of interest, therefore, to learn what were some of the problems which her leaders had to face and how they solved them. We have already discussed how the people were taxed and what the national treasury realized from revenue collections. But, after all, while revenue provided the very creditable sum of about nine and a half thousand million pre-war dollars, this was less than a third of the total receipts for the six years of war financing—the rest of the receipts of the exchequer had to come from borrowing.

Of the money borrowed, about eighty per cent was obtained right in the United Kingdom; about five per cent

came from foreign markets, chiefly from the United States and about fifteen per cent came from allied and associated governments, again chiefly from the United States.

Britain's Borrowing At Home

The Currency Notes: In Great Britain, at the very beginning of the war, rather than authorize fiduciary note issues by the Bank of England, the government provided for a direct government currency, technically known as "currency notes," but popularly called "Bradbury's," because the earlier issues were signed by an official of this name.

The act of parliament under which the currency notes are issued was passed on August 6, 1914. It provides for the issuance of notes of the denomination of one pound and of ten shillings which "shall be current in the United Kingdom in the same manner and to the same extent and as fully as sovereigns and half-sovereigns are current and shall be legal tender in the United Kingdom for the payment of any amount."

An important provision of the act which does not appear to be generally known is that the holder of a currency note is "entitled to obtain on demand, during office hours at the Bank of England, payment for the note at its face value in gold coin which is for the time being legal tender in the United Kingdom."

The government has the right to call in any currency notes "on paying for those notes at their face value in gold."

Under the terms of this same act, known as The Currency and Bank Notes Act, 1914, postal orders were temporarily made legal tender and redeemable in coin at the Bank of England. The Bank of England and the Scotch and Irish banks, so far as temporarily authorized by the treasury, were permitted to "issue notes in excess of any limit fixed by law"

and Scotch and Irish bank notes were made a legal tender in Scotland or Ireland, respectively, and redeemable in currency notes.

A very important further provision applying to the Scotch and Irish banks was that currency notes or certificates might be used as cover for their notes instead of gold or silver.

On December 15, 1919, the chancellor of the exchequer announced in the House of Commons that he proposed to give immediate effect to certain recommendations contained in a report made to parliament by the Committee on Currency and Foreign Exchanges. In pursuance of these recommendations the legal tender character of the Scotch and Irish bank notes was withdrawn, also the loan of currency notes to the banks and, of greatest importance in its effect upon the currency conditions, it was provided that "the actual maximum fiduciary circulation of currency notes in any one calendar year should be fixed as the legal maximum for the next. In accordance with this last regulation, the maximum uncovered issue for 1920 was placed at \$1,560,039,000; for 1921, \$1,545,223,000; for 1922, \$1,508,406,000 and for 1923, \$1,314,715,000. The maximum for 1924 will be \$1,207,697,000.

The table on page 83 shows the amount of currency notes outstanding at the close of each year, from 1914, and the cover for same held in the redemption account.

The currency notes are always covered by securities or cash in one or more of the following ways, viz.:—by gold coin and bullion; silver coin; Bank of England notes; government securities; advances to bankers—or by balance at the Bank of England.

A word of explanation in regard to the Investments Reserve Account may be of interest. In this account is shown the income from the advances to bankers and from the gov-

GREAT BRITAIN
CURRENCY NOTES ACCOUNT
(In dollars—000 omitted)

Date	Notes and Certificates Outstanding	Investments Reserve Account	REDEMPTION ACCOUNT						Balance Bank of England
			Advances to Bankers	Advances to Savings Banks	Gold Coin and Bullion	Bank of England Notes	Ratio (Gold and Notes)	Government Securities	
Aug. 26, 1914	104,789	.....	30,665	18,539	.....	.....	.....	.....	55,584
Dec. 30, 1914	187,234	.....	822	2,920	90,021	.....	48.1	48,190	45,186
Dec. 29, 1915	501,806	3,546	774	1,212	138,681	.....	27.6	265,786	99,928
Dec. 27, 1916	730,601	16,690	311	195	138,681	.....	19.0	574,684	33,320
Dec. 26, 1917	1,035,397	41,624	190	3,285	138,681	.....	13.4	908,176	26,695
Dec. 31, 1918	1,572,891	75,564	.....	2,774	138,681	.....	8.9	1,484,777	22,218
Dec. 31, 1919	1,742,768	83,608	1,216	1,192	138,681	19,464	9.1	1,642,455	13,634
Dec. 29, 1920	1,788,868	82,537	Silver Coin		138,681	94,644	13.0	1,637,428	652
Dec. 28, 1921	1,584,292	71,326	14,598		138,681	94,644	14.7	1,406,911	783
Dec. 27, 1922	1,466,306	62,635	34,062		131,382	102,916	15.9	1,258,914	667
Dec. 26, 1923	1,455,275	61,170	34,062		131,382	109,242	16.5	1,240,986	774

ernment securities held as collateral, presumably less the expenses of issue, although this is not specifically stated to be the case. Under a Treasury Minute dated May 3, 1915, the net income accruing to the account is payable to the exchequer, but an amount equivalent to not less than five per cent of the total securities held must be reserved by the Bank of England to cover losses.

It will be observed that the gold and Bank of England notes reserved against the outstanding currency notes amounted on December 26, 1923, to 16.5 per cent of the fiduciary circulation. This is the largest reserve held since the close of 1918 when it stood at the low point of 8.9 per cent, having fallen each year before then from a maximum of 48.1 per cent at the close of 1914.

The Floating Debt:—Ways and Means Advances: Prior to the war it had been customary for the Bank of England to

provide the government with credit for temporary use while awaiting the receipts from taxation. Such loans were known as Ways and Means Advances. During the war the government frequently called upon the Bank of England for very large advances of this character to tide over periods when tax collections and returns from market borrowings fell short of expenditures. For a time these advances seemed to have crystallized into a permanent loan from the bank. This caused the directors of the bank several times to represent to the government that loans of a continuous character should be obtained from the public and "advances from the bank once more confined to the temporary requirements of the treasury." It is anticipating our story a little, but it may be noted that advances of this character since the close of the period of war financing have partaken more and more of the temporary pre-war character. However, indirectly, the government continues to borrow quite heavily from the bank by causing government departments having credit balances at the bank to loan such balances to the treasury.

The Floating Debt:—Treasury Bills: The most potent source of temporary borrowing during the war was found in the treasury bills, a form of borrowing dating back to 1696 in the reign of William III. As originally issued they were a form of government currency. Their subsequent use has been to bridge over the period between expenditure and the receipt of income from taxation and from long time loans.

Before 1877 they were called exchequer bills. They have served as the shuttle which wove into the fabric of government resources the floating capital of the realm. They were issued during the war to mature at various short dates ranging from two months to twelve months. Sometimes they were issued below par, to be repaid at par; that is as discounted

paper. Again they were issued at par bearing fixed rates of interest. Sometimes the treasury offered them on definite terms, but again the treasury asked for tenders from the public. At times the denominations were made low so as to attract floating capital in small as well as in large sums; again they were offered only in bills of large denominations, say of the equivalent of \$25,000 or \$50,000. Of course these latter offerings were attractive only to the banks and others commanding money in large sums.

In short, they were used by the treasury to direct the flow of capital from the public into channels which best suited the requirements of the government. If a large permanent loan was about to be issued, offerings of treasury bills could be discontinued and those outstanding allowed to run off, thus creating a vacuum to be filled by the new permanent issue. In the interval, if necessary, the treasury financed its requirements through increased advances from the Bank of England.

The floating debt was a very potent source of inflation during the war and after.

The amount of this character of debt outstanding at the close of each fiscal year, that is on March 31, is shown by the table on page 86.

Technically the amounts listed in the column headed "other bonds maturing within a year" are not part of the floating debt as set up in English treasury publications, but actually they do come into this category, because provision must be made within a year to refund them or they must be paid off in cash.

If the supposition is correct that the "government securities" held as collateral to the currency notes are in fact treasury bills, then the amount of the floating debt as stated

FLOATING DEBT OF GREAT BRITAIN

(In "Currency" dollars—000,000 omitted)

March 31	aTreasury Bills	WAYS AND MEANS ADVANCES			Other Debt Maturing Within a Year	Total Floating Debt
		bBy Bank of England	bBy Public Depart- ments	Total		
1914	63	.....	.....	.....	.....	63
1915	460	.....	.....	.....	.....	460
1916	2,758	.....	.....	97	7	2,862
1917	2,256	.....	.....	1,059	477	3,792
1918	4,737	.....	.....	1,048	670	6,455
1919	4,307	.....	.....	2,214	1,187	7,708
1920	5,152	.....	997	997	1,467	7,616
1921	5,298	.....	752	752	2,058	8,108
1922	4,244	.....	717	717	3,116	8,077
1923	2,997	.....	944	944	2,269	6,210

aNet, i.e., Less bills held as collateral to foreign debt.

bNo division of Ways and Means Advances into those made by the Bank of England and those made by Public Departments was published prior to 1920. Although no advances are shown from the Bank the column is included in the table to draw attention to the fact that during each year such advances have from time to time been made. Ways and Means advances by Public Departments presumably represent sums past due or due to the spending departments from the Treasury. Part of such advances may also represent loans by Public Departments out of actual balances standing to their credit at the Bank of England.

above can be reduced by the amount of these government securities as given in the currency notes tables printed on page 83, but if this is done the corresponding amount of currency notes must be added to the debt statement.

The Short Term Funded Debt: In British practice the funded debt, technically, consists only of the perpetual debt, such as the permanent debts due to the Bank of England and the Bank of Ireland and the old consols. The unfunded debt is debt of a temporary nature and debt repayable at the end of fixed terms.

As some of the obligations listed under this latter head are not repayable for many years the division based on established usage has become somewhat illogical. In this book all

forms of debt maturing within a year are classified as unfunded debt, while forms maturing in from one to ten years are classified as short term funded debt; the perpetual debt and all other forms of debt maturing after ten years are classified as long term funded debt.

During the war the British government issued various forms of debt obligations maturing in from one year to ten years, the aggregate amount of which outstanding on March 31, 1920, was \$1,900,000,000, nearly a quarter of the total debt at that date.

The most important issues coming under this category were the Exchequer Bonds as they were first called, a title which in 1917 was changed to National War Bonds, as more likely to attract loans from the people. These bonds were issued in small denominations as well as for large amounts. It would be tiresome to discuss the details of these various issues. Interest rates and other terms were varied from time to time to suit the exigencies of the moment, both in regard to the needs of the treasury and the whims of the lenders.

One very interesting feature of the offering of exchequer bonds was the fact that from December 16, 1915, these bonds were put on sale "over the counter" from day to day, instead of waiting for spectacular periodical offerings. The object was to have a steady flow of money into the treasury. Just as in the case of the treasury bills, offerings were occasionally discontinued, especially when it was desired to divert the flow of money into the permanent war loans which were issued periodically.

The Permanent War Loans: There were four of these loans. The first was for \$1,700,000,000 at 3½%. This issue was offered in November, 1914, at 95 and was quickly oversubscribed by nearly 100,000 applicants.

The second offering, made June 21, 1915, was at $4\frac{1}{2}$ per cent. The issue price was par. Subscriptions aggregated \$2,774,000,000.

The third war loan was not issued until January, 1917.

The loan was an unqualified success, \$4,811,000,000 being sold for cash; \$5,511,000,000 being issued in exchange for $4\frac{1}{2}$ per cent war loan and exchequer bonds—a grand total of \$10,322,000,000.

The fourth war loan or victory loan was issued June 13, 1919. It was mainly designed to liquidate a large amount of floating debt. It was issued in two forms, both bearing 4 per cent interest, but one issue was offered at 80 per cent not redeemable before 1960, while the other was offered at 85 per cent, redeemable by annual drawings at par. The subscriptions aggregated \$3,735,000,000 of which \$540,000,000 came from the banks.

Great Britain as a Borrower Abroad

From the very beginning of the war Great Britain found it necessary to finance both her dominions and her allies. In the latter task she was ably seconded by France although, as early as the latter part of 1914, it was found desirable to permit France to offer her treasury bills in the London market, and thereafter, until the United States became a partner of the Allies, France frequently borrowed either in the London market or of the British government.

The bulk of England's market borrowing was arranged in the United States. This was because we were in a position to supply munitions of every kind required by the allied governments, whether they were foodstuffs, metals, lumber and other raw materials, especially cotton; or clothing, boots and shoes, ammunition, motor cars or locomotives. England also

borrowed to some extent in Canada against shipments of grain and other supplies; in Japan, against purchases of clothing and other munitions; in South America against purchases of meats, coffee, grain and nitrates. She also exchanged credits with Australia and New Zealand against purchases of wool from them in return for sundry supplies furnished to their troops. She also borrowed gold from the Bank of France, from the Italian banks, and from the Imperial Russian Bank chiefly, however, to finance purchases made for the account of their governments in America and in 1916 she arranged credits with Spanish banks in order to provide the means of paying for purchases which she was making in their country.

Bonds and treasury bills sold in foreign markets, as distinguished from loans arranged with foreign governments, provided Great Britain during the six years of war financing with \$1,444,000,000 currency dollars. These dollars had a purchasing power on the basis of pre-war values of \$1,067,000,000. The greater part of these credits was arranged for during the first three years of the war. After the United States opened her national resources to Great Britain and her associates in exchange for their promises to pay, they had little occasion to borrow abroad except to obtain certain supplies such, for example, as nitrates and certain metals which the United States did not have or wool, clothing and food-stuffs needed to supplement supplies obtainable from us.

It should be kept firmly in mind that in no case were the actual loans in money. They were made simply in terms of money. What Great Britain and the other borrowers sought and what they obtained were munitions of war—using the phrase in its broadest sense. The important loans were arranged in the money markets, their proceeds were placed to the credit of the borrowing government with their bankers in

GREAT BRITAIN'S BORROWINGS FOR WAR IN FOREIGN MARKETS

STATUS AT CLOSE OF EACH FISCAL YEAR

(In "Currency" dollars—000,000 omitted)

March 31	From	Due Each Lender	Total Due	Annual Increase or Decrease
1916	United States.	250	250	250
1917	Japan	97		
	United States.	1,047	1,144	894
1918	Japan	146		
	Sweden	23		
	United States.	939	1,108	-36
1919	Argentina	15		
	Canada	213		
	Fiji, Straits Settlements and Mauritius	45		
	Holland	9		
	Japan	141		
	Norway	61		
	Spain	12		
	Sweden	23		
	Switzerland	16		
	United States.	866	1,401	293
1920	Argentina	15		
	Canada	176		
	Fiji, Straits Settlements and Mauritius	42		
	Holland	4		
	Japan	83		
	Spain	12		
	Sweden	4		
	United States.	818	1,154	-247
1921	Argentina	15		
	Canada	127		
	Straits Settlements	40		
	Japan	29		
	Sweden	4		
	United States.	493	708	-446
1922	Argentina	15		
	Canada	10		
	Straits Settlements	40		
	Japan	14		
	United States.	313	392	-316
1923	Argentina	15		
	Straits Settlements	37		
	United States.	218	270	-122

New York or elsewhere and against these credits drafts were drawn to pay producers and manufacturers for the munitions which nearly every ship leaving our ports was carrying to the seat of war.

The nations in whose markets loans were arranged by Great Britain and the amount of such loans outstanding at the close of each year is shown by the table printed on the opposite page.

Market Loans Arranged in the United States

The table on page 92 lists the market loans arranged in the United States, giving the dates of redemption and the amount outstanding at the close of 1923.

In addition to the bond issues shown in the table, there was one other form of borrowing which provided a substantial addition to Britain's resources in the United States. This was a weekly offering, beginning August 24, 1917, of \$15,000,000 treasury bills. These were quite well received by financial institutions. The maximum amount of such bills outstanding at any one time was \$98,000,000 on September 30, 1919. These have all been retired, offerings having been discontinued in November, 1921. From an examination of the table it will be observed that the only issues outstanding at the end of 1923 were \$75,000,000 or thereabouts of the 5½ per cent notes of 1929; \$143,600,000 of the 5 per cent bonds of 1937 and the obligation to the Central Argentine Railway Company in lieu of the \$15,000,000 6s of 1927 borrowed of that company in February, 1917.

The Stabilization of the New York Exchanges: In July, 1915, the British treasury took the first step toward stabilizing New York exchange by instructing the Bank of England to purchase American dollar securities in London and to

aFOREIGN MARKET DEBTS OF GREAT BRITAIN IN THE UNITED STATES (In "Currency" dollars—00,000 omitted)

Calendar Year	1914	1915	1916	1917	1918	1919	1920	1921	1922	Totals
BORROWINGS										
Anglo-French 5s, '20.		10-15	250.0							
2-yr. Secured 5s, '18.			9-1							
3-yr. Secured 5s, '19.			11-1							
5-yr. Secured 5s, '21.			11-1							
1-yr. Secured 5s, '18.										
2-yr. Secured 5s, '19.				2-1						
20-yr. Bonds 5s, '37.				2-1						
3-yr. Notes 5s, '22.					2-1	55.0	88.6			
10-yr. Notes 5s, '29.						11-1	101.6			
Central Argentine Ry.						11-1	148.4			
6%, '27										
Total Borrowed		250.0	550.0			55.0	338.6			1,458.6
REDEMPTIONS										
Anglo-French 5s										
2-yr. Secured 5s, '18.							250.0			
3-yr. Secured 5s, '19.							135.0			3
5-yr. Secured 5s, '21.							15.5			
1-yr. Secured 5s, '18.							23.0	111.5		
2-yr. Secured 5s, '19.							87.5			
20-yr. Bonds 5s, '37.										
3-yr. Notes 5s, '22.							6.5		95.1	
10-yr. Notes 5s, '29.							22.5	9.6	41.6	
Total Redeemed							302.0	121.1	136.7	1,225.3
Outstanding close of year		250.0	800.0	1,065.0	602.5	793.1	491.1	370.0	233.3	6,233.3

aThis table does not include Dollar Treasury Bills—None now outstanding.

bMade up as follows: 5s, '29 74.7

Also status of Dec. 5s, '37 143.6

31st, 1923 Centl. A. Ry. 6s, '27 15.0

233.3

transmit them to New York for sale. Exchange on New York was then \$4.77 for sterling and 17½ cents for the franc, comparing with \$7.00 to the pound and 23½ cents to the franc in August, 1914, to which rates it was forced by the necessities of tourists and others just after the declaration of war; and with quotations at exchange parities in January, 1915.

The American current indebtedness abroad had been largely liquidated and thousands of American securities from both English, French and other overseas markets had been repatriated.

Notwithstanding the efforts to meet the heavy payments due to America for munitions of war by the sales of securities just referred to, also by sales in New York of certain issues of the French government as well as by considerable remittances of gold, the value of the pound and of the franc in that market continued to fall, reaching on September 1 the low levels of \$4.50 and 16½ cents, respectively.

It was then that the English government arranged with their American bankers, Messrs. J. P. Morgan & Co., to "peg" or stabilize the New York-London exchanges by standing ready at all times to furnish, at practically a fixed rate, bills required to settle for purchases made in the American markets. Automatically this arrangement had the effect of stabilizing Canadian-London exchanges, and, as a result of the close working arrangements existing between the Bank of France and the Bank of England, the Paris-New York exchanges and the Paris-London exchanges were likewise brought into line.

Because of the falling off in foreign exports to America there were not sufficient commercial credits available to pay for the great quantities of goods being purchased in our country and as the gold available for remittance had about been

exhausted, it became necessary to create credits by borrowing in the New York market.

The Anglo-French Loan: It was to create the credits just mentioned that in October, 1915, France and England joined hands to place in America an issue of \$500,000,000 5 per cent bonds, the Anglo-French 5s which have since matured and been paid.

Secured Note Issues: In September, 1916, Great Britain placed in New York \$250,000,000 two-year 5 per cent secured notes. In November she placed \$300,000,000 secured notes maturing one-half in three years and one-half in five years and in February, 1917, she placed \$250,000,000 5½ per cent secured notes maturing \$100,000,000 in one year and \$150,000,000 in two years. In addition she sold in New York \$15,000,000 Central Argentine Railway 6 per cent bonds. Thus, up to the time when the United States nation became a belligerent, Great Britain had borrowed directly \$815,000,000 secured by collateral while her share of the Anglo-French loan, \$250,000,000, brought up her total direct borrowings to that date to \$1,065,000,000.

Subsequent bond issues by Great Britain in America were unimportant. They were for \$55,000,000 in 1918 and \$338,600,000 in 1919 and were used to refund the earlier issues. The funds to meet other maturing issues came from the United States government or were remitted from London.

It will be noted that all issues of bonds placed in the United States subsequent to the joint issue with France were secured by collateral. This collateral was obtained by Great Britain by borrowing or buying dollar bonds from her citizens. At first the treasury undertook to purchase any suitable dollar securities at prices based on current New York Stock Exchange quotations or to borrow the securities for two

years on the understanding that the interest received on such securities would be paid to the depositor together with an additional payment at the rate of one-half per cent per annum; afterward the terms were somewhat changed. We do not need to go into all of the details. The important fact is that the savings of past years invested in foreign securities were now mobilized to make foreign payments, the owners being compensated in sterling or government securities which would not be taken abroad for outright purchases or by an annual bonus in the case of loans. It is these same savings invested in foreign securities and properties which are now enabling Great Britain to meet her obligations to the United States government and it is largely because of the present lack of such investments that it is quite impossible for France and Italy to pay us or for Germany to make reparation payments except through a surplus of exports. In other words, they can only pay as they can save while Great Britain is paying from the income of past investments, as well as from current savings.

MARKET BORROWING OF FRANCE

Borrowing at Home

The Currency: Since the revolution and the unfortunate experiences of that period with government issued fiduciary currency, the French government has made no direct issues of paper money. It is also true that at no time up to 1914 had the government interfered with the management of the Bank of France, the sole bank of issue, in regard to its affairs, in connection with the currency or otherwise. However, a convention existed between the government and the Bank of France whereby in case of a military emergency the bank was

obligated to lend to the nation up to 2,900,000,000 francs, while the Bank of Algeria, the bank of issue in Africa, was obligated to advance 100,000,000 francs. Thus, altogether, 3,000,000,000 francs, say in round figures the equivalent of \$600,000,000 was immediately at the disposal of the government in case of an emergency. To facilitate such advances, the banks were authorized correspondingly to increase their note issues. From time to time since 1914 parliament has authorized the Bank of France to increase its note issues in order that, in turn, the bank might increase its loans to the nation. The total advances for the war by the end of 1919 had reached 29,255,000,000 francs or at par of exchange, \$5,646,215,000. These advances involved a corresponding increase in the circulating notes of the bank, so that at the close of 1919 they had reached 37,274,000,000 francs or \$7,193,882,000 an increase from a circulation of 5,713,000,000 francs or \$1,102,609,000 at the close of 1913.

The advances to the state were both direct and indirect; that is to say, the bank received treasury bills against which it made direct advances, thus directly increasing its note issues. It also discounted for foreign governments, chiefly Russia, treasury bills lent to them by the French government—thus indirectly lending to France herself. These issues led also to increases in the bank's issues of circulating notes.

The Bank of France also greatly aided the flotation of government loans and the daily sales of treasury bills by agreeing to lend to holders of government paper 80 per cent. of the par value thereof. The reports of the bank do not segregate these loans secured by government bonds and notes from other loans made to the public but at times they must have been for a substantial amount. However, as commercial loans at the close of each of the war years were less than

at the close of 1913, large loans on government securities must have been for short periods only.

The advances which the bank made to the nation during the war were at the low rate of one per cent a year, but in September, 1914, it was stipulated that one year after the cessation of hostilities this rate should be raised to three per cent. The additional two per cent was not to be counted in the profits of the bank, but to be used to amortize the debt of the nation to the bank.

The Bills of National Defence:—One of the most efficient instruments for keeping the war chest filled was found to be the treasury bills, very felicitously re-named by M. Ribot, the Minister of Finance during the early part of the war, "National Defense Bills." The change of name was determined upon in September, 1914. The new bills were at first issued in denominations equivalent to \$20, \$100 and \$200. At a later date these bills were issued in as small denominations as five francs and twenty francs (one and four dollars) to fit the requirements of the smallest investor, and in various larger denominations to meet the needs of banks and other wholesale investors. At first they were issued at a discount which, when the note was repaid at par, gave the bearer a return from the earlier issues at the rate of about $5\frac{1}{4}$ per cent a year. The rate was readjusted from time to time as conditions seemed to require.

These bills were at first issued to mature in three or six months or a year. Later, bills of one month's maturity also were issued. Three hundred and twelve million dollars worth were absorbed in 1914. In the next year and the year following there were respectively net additions to the amount outstanding of some \$839,000,000 in 1915 and \$1,089,000,000 in 1916, while in 1917 the net increase was \$1,345,000,000. In

1918, on November 30, the outstanding issue had increased the equivalent of \$2,590,000,000 to \$6,357,000,000. This amount was reduced nearly two billion in December from the proceeds of a new permanent loan. The issues steadily increased during the following year reaching about nine and a half billion dollars worth by the close of 1919; an important part of them hidden away in the homes of the people. They provided for nearly 29 per cent of the war expenditures.

The popularity of these bills was greatly increased by the fact that the Bank of France agreed to accept them as security for loans at 80 per cent of their nominal value. Thus they were a particularly liquid asset for people in business, either large or small, and for institutions of credit.

The Funded Debt: In February, 1915, a new form of short term bonds was placed on sale. These bonds, known as "Bonds of National Defense," had a currency of ten years and were well received, but they never achieved the popularity accorded to the bills of similar name. The first issue, bearing 5 per cent interest, was placed at 96½, reimbursable at par upon maturity, in 1925 or in 1920, if the right of redemption at that time were exercised. The bonds were issued free of taxation. This first issue brought into the treasury the equivalent of over \$539,000,000. However, quite a large part of this amount, around \$150,000,000 was received in old bond issues taken in payment. Subsequent issues were placed in 1917 and 1919.

It was not until November, 1915, that the first great war loan was offered to the public.

Everything possible was done to popularize the loan and to make it easy to subscribe. The books opened on November 25, 1915, and closed on December 15. The subscriptions at

par totalled \$2,934,000,000. The money value in cash and securities totalled \$2,568,000,000.

There were three other great loans placed during the war period aggregating at par \$11,136,000,000. They brought into the treasury the equivalent of \$8,193,000,000 either in cash or in other national securities.

Borrowing in Foreign Markets

The external borrowings of France due to the Great War fell into two classes, viz.: market borrowings and loans from other governments.

The purposes for which the loans were incurred were: for military supplies of all kinds; for civilian needs—especially for food; for refunding of market debts incurred in the United States for war purposes prior to April, 1917; for interest to the United States upon the money it furnished; to reimburse other nations, especially England, for advances received from them; for needs of other nations, France acting as intermediary.

Apart from certain relatively unimportant export credits from neutral countries and loans of about \$200,000,000 from Japan, the external indebtedness of France on account of the war is due to or in the United States and the United Kingdom.

Market Borrowings in the United States: It was in September of 1914 that the first war loan was placed by France in the United States. The amount was not large, only the sum of \$10,000,000 was involved, but the fact is worth recording for this was the first opportunity which had been offered for America to reciprocate, even in a slight degree, the great assistance which France so generously gave her during the Revolutionary War. This loan was arranged by Mr. Maurice Leon, a French attorney resident in New York, through the

National City Bank. It was for one year and secured solely by the good faith of the French nation. It was in this month that the submarine warfare began which, two and a half years later, was to force American intervention on the side of the Allies. This loan was promptly paid at maturity.

About six months later, in March, 1915, a syndicate headed by Messrs. J. P. Morgan & Co., placed in New York a loan of \$50,000,000 for the French government.

In June, 1915, the French government distributed widely to French banks and bankers a circular authorizing them to buy for account of the national treasury United States railway securities held in France. These securities apparently were resold in New York, thus forming the basis for credits there.

In October, 1915, the French and English governments united in placing in New York, through a powerful banking syndicate headed by Messrs. J. P. Morgan & Co., a loan for \$500,000,000 at 5 per cent, repayable in five years. Although this loan was unsecured it was readily placed and the bonds always were well regarded in the American financial markets. This is the largest foreign government loan ever placed in the United States. It was paid at maturity, October, 1920, without aid from the United States government.

In 1916 M. Ribot, the French minister of finance, in a note issued on May 4 appealed to the public to loan to the treasury securities of neutral countries. In July, securities obtained in response to this appeal were used as the basis for a loan of \$100,000,000 obtained in New York from the American Foreign Securities Company. This company, having a paid in capital of \$10,000,000, obtained the bulk of the money needed to effect the loan through the sale of \$94,500,000 5 per cent bonds.

The French government continued to appeal for negotiable foreign securities and in April, 1917, arranged through Messrs. J. P. Morgan & Co. another secured loan for \$100,000,000.

In addition to these bond issues placed with the public there were a number of industrial, or export, credits placed with banks and bankers. Two of these aggregating \$45,000,000 were arranged by Messrs. Brown Brothers & Co. and five, aggregating \$110,000,000, by Messrs. Bonbright & Co. independently and in connection with the Guaranty Trust Company and the Bankers Trust Company.

There were also some smaller credits placed through other bankers or arranged directly with exporting houses and manufacturers and purveyors of munitions.

The French government sponsored these credits. They were also in some cases protected by a deposit of securities and in particular by bankers' acceptances of drafts drawn upon French manufacturers and other importers purchasing supplies in the United States.

The commercial export credit for \$20,000,000 arranged by Messrs. Brown Brothers & Co. in August, 1915, is notable because it was the first dollar commercial export credit in syndicate form ever issued in the United States. Besides being secured by drafts accepted by responsible French importing houses, it was backed by the credit of the French government in the form of treasury bills.

In October, 1916, the city of Paris borrowed \$50,000,000 in New York and in November of that year the cities of Marseilles, Lyons and Bordeaux each borrowed \$12,000,000. These loans, while ostensibly for account of the cities, were actually for the benefit of the French national treasury. They bore 6 per cent interest and were negotiated by Messrs. Kuhn, Loeb & Company.

As in April, 1917, the United States government became banker to the Allied Nations, there were no other market loans placed by France in the United States during the period of the war, after the offering of April, 1917, except in November, 1919, when the loans to Bordeaux, Lyons and Marseilles were refunded.

However, in August, 1919, the French government began to offer 90 day treasury bills in America through their accredited bankers, Messrs. J. P. Morgan & Co. These bills were chiefly bought by the banks. They were constantly running off and being renewed. The maximum issue outstanding at any one time is understood to have been around \$50,000,000. Sales of these bills were discontinued in August, 1921.

Market Borrowings in the United Kingdom: Similar data to the foregoing in regard to the borrowing of France in Great Britain do not appear to have been published.

We know that in or about October, 1914, an issue of French treasury bills was placed through the Bank of England for the equivalent of \$49,000,000 and that on October 15, 1914, Messrs. N. M. Rothschild & Son floated in London similar bills for the equivalent of, say \$10,000,000.

This was the first borrowing abroad by France in connection with the financing of the Great War and these appear to have been the first loans payable in a foreign currency ever placed by the French government up to that time, although at different times considerable amounts of French rentes had been owned abroad. In particular was this true in connection with the payment of the indemnity to Germany in 1871-1873 when around, \$386,000,000 of rentes were sold to foreigners. However, these bonds were not made payable in foreign currencies and they were quickly reabsorbed by the French people.

Large amounts of treasury bills were placed in London during the war years rising from around \$57,000,000 at the close of 1914 to \$163,000,000 at the close of 1915, to \$340,000,000 at the close of 1916 and finally reaching a maximum of nearly \$400,000,000 in 1917 at about which amount they stood at the close of 1919.

In December, 1915, a "substantial amount" of the first Loan of National Defense was reported to have been taken in England. The proceeds, by arrangement with the English government, were to be devoted to the liquidation of the large debts which had been contracted in England by the French government.

In April, 1918, France sold about \$23,000,000 of her internal bonds in Argentina and at various times during the war arranged export credits in Argentina, Uruguay, Spain and the Netherlands. She also borrowed from the Bank of Japan, and floated one or more loans in that country.

On December 31, 1919, the French government owed to foreign markets exclusive of amounts due to other nations—the political loans as they are sometimes called—the equivalent of \$1,084,000,000 currency dollars. Of this large sum \$372,000,000 was due in the United States, \$414,000,000 in Great Britain, \$298,000,000 in Japan, Spain, the Netherlands, Argentina, Uruguay and elsewhere.

The status of the debt of France pre-war, at the close of the first three years of war and on December 31, 1919, may be seen by reference to Statistical Tables III and XV through XX.

THE NATIONAL DEBT OF ITALY

The debt of the Italian government on June 30, 1914 was \$3,034,000,000, all held at home. On June 30, 1920, the debt was \$17,849,000,000 of which amount \$13,938,000,000,

78.09 per cent, was internal debt and \$3,911,000,000, or 21.91 per cent, was external debt. Of the internal debt the sum of \$10,145,000,000 was funded debt, \$3,235,000,000 was floating debt and \$558,000,000 was government currency.

Borrowing at Home and Abroad

The Currency: In Italy the government issues a fiduciary currency for a relatively unimportant amount of small notes, but the greater part of the circulating notes is issued by the banks. There are three banks of issue. In July, 1914, these banks had in circulation notes amounting to \$437,145,000, while the state notes outstanding totalled \$96,307,000, a grand total of \$533,452,000.

Issues of bank notes were made during the war on account of the state. These issues at the end of June, 1920, had reached the large total of \$1,994,269,000. The direct state issue at that time was \$438,110,000, while bank notes issued by the banks on their own account had reached \$1,444,412,000. A substantial portion of this latter issue probably was made to assist the marketing of the bonds of the government. Thus on June 30, 1920, there were in circulation \$3,876,791,000 bank notes and state notes as against \$533,452,000 at the beginning of the war.

We are not advised as to what form of security was given by the government to the banks in exchange for their circulating notes. The method of exchanging treasury bills for notes followed in several other countries does not seem to have been used.

Treasury Bills: There were five forms of treasury bills issued by Italy. These were ordinary bills, so called three, five, and seven-year bills or bonds, and special bills for foreign use. On June 30, 1920, there were outstanding \$1,778,-

495,000 ordinary bills, \$819,285,000 three and five-year bills, and \$3,911,338,000 bills for external use, chiefly in connection with loans from the governments of Great Britain and the United States, although there were small amounts, aggregating not quite \$17,000,000, due to private lenders in Brazil and the United States.

The Permanent Loans: There were six of these loans for a total of \$6,939,508,000 issued during the war.

THE PUBLIC DEBT OF RUSSIA

The Debt Prior to the Great War

The financial history of Russia is characterized by at least two noticeable features; the enormous accumulation of public debt, and the extraordinary growth of the state budget.

One of the favorable characteristics of Russia's credit, to quote M. Bark, the Russian Minister of Finance, during the early part of the World War, from January, 1914, until the abdication of the Czar in March, 1917, was that, "in the whole financial history of Russia there has never been a moment's delay in paying creditors."

Russia's credit had always depended on two things: first, the importance of her role in foreign politics, and second, the popularity of her wars in the financial markets of the world. If either one of those factors was absent, it was always difficult for her to obtain credit, and she was usually forced to accept terms somewhat humiliating for a great nation. This was the case in the Turkish Wars of the 70's when Russia, actuated by the most altruistic motives, wanted to free some of the Balkan states from the Turkish yoke. To do this it was necessary to sacrifice her credit, since her jealous neighbors

in western Europe saw in Russia's actions the terrible menace of Pan-Slavism.

The total direct debt of Russia at the beginning of January, 1914 was \$4,541,000,000 of which debt \$2,947,000,000 was contracted for the general needs of the state and \$1,594,000,000 for railroad construction.

Financing the Railroads: Although the Russian public debt was contracted largely for state purposes and to defray the expenses incurred by wars, still it had another characteristic which was peculiarly striking, and that was the role played in its composition by the debts contracted for railroad construction. Previous to the Great War, the debt issue for this purpose as just stated had reached the sum of \$1,594,000,000, or 35 per cent of the total. In addition to this debt directly incurred for railway development, the Russian government had guaranteed issues made by the railway companies themselves for \$965,816,000.

The Guaranteed Debt: In addition to her obligation as guarantor, for \$965,816,000 of railroad bonds and stocks, Russia on January 1, 1913, was obligated as guarantor for \$423,912,000 bonds of the Nobles Land Bank and for \$636,838,000 bonds of the Peasants Land Bank, a grand total of \$2,026,566,000.

Summary of Pre-War Debt Status: Therefore the total national debt of Russia direct and guaranteed on January 1, 1914, approximated \$6,568,000,000. It is not possible to tell exactly the proportions of the Russian debt which were held at home and held abroad before the Great War, but judging by the manner in which interest payments were made, somewhat more than 50 per cent was held at home and somewhat less than 50 per cent abroad. Doctor Eliacheff is inclined to place the foreign holdings at 44 per cent of the total.

Before the war Russian government securities were quoted in Paris, London, Geneva, Brussels, Vienna, Rome, Berlin and Amsterdam. What amounts were held in each market are not definitely known.

The total interest charge on the foreign debt approximated \$199,150,000. Of this amount \$125,050,000, say 62.79 per cent, were remitted to France; \$15,440,000, 7.75 per cent, were remitted to Great Britain; \$500,000, 0.25 per cent, were remitted to the United States; \$23,160,000, 11.63 per cent, went to Holland, and \$35,000,000, 17.58 per cent, to Germany, Austria-Hungary and elsewhere. These figures confirm other estimates which make France to have been by far the largest external creditor of Russia.

The War Debt of Russia

Russia's sinews of war consisted mainly of internal loans. These took the forms with which we have now become familiar because of the fact that they were adopted by substantially all of the belligerents; namely, of paper money, treasury bills (otherwise called in Russia "series"), short term loans, and long term loans.

Paper Money: At the outbreak of the war, the Russian fiduciary circulation was almost entirely covered by the specie of the State Bank; \$825,418,400 in gold in Russia and \$72,044,000 in gold belonging to the State Bank abroad, against \$840,341,800 of bank notes in circulation.

On October 1, 1917, there were in circulation \$8,897,434,000 bank notes.

Prior to the war, the Russian law did not allow the issue of more than \$154,380,000 in paper not covered by gold. The convertibility of paper money into gold was suppressed by law of July 27 (August 9), 1914, and thereafter there were

ten decrees permitting increased issues of bank notes. The new issues aggregated \$8,057,092,200.

At the beginning of the war, specie formed more than 30 per cent of the money in circulation in Russia; in September, 1917, not more than 4 per cent. Knowing the evil consequences of repeated and large issues of paper money, Russian economists and the authorities were none too anxious to inflate the currency, but they had to deal with a population little used to bonds and other securities and which preferred to receive wages and keep savings in paper which they could understand. This, in a way, explains the great increase in bank notes during the war.

The bank notes were issued to the government in exchange for treasury bonds.

Treasury Bonds: Treasury bonds originally issued—law of July 27 or August 9, 1914—were to be discounted by the State Bank and serve as cover for bank notes advanced by the State Bank to the treasury. They served this purpose, in the main, until the end of the war, but in time they also reached the public. They were for a term not exceeding one year, and were issued at par less the 5 per cent interest deducted in advance by the purchaser:

Six weeks before its fall, the provisional government authorized the minister of finance to increase the issue of treasury bonds up to an amount of \$12,865,000,000, including obligations discounted by the State Bank. Of this sum, only about \$9,634,000,000 had been issued before the fall of Kerensky, of which \$6,948,000,000 were discounted by the State Bank, \$73,000,000 were issued in Finnish money for expenditures incurred in Finland, and \$2,613,000,000 remained in circulation. Some of these treasury bonds were

not presented for redemption at maturity, but remained in circulation practically as currency.

Treasury Notes: Another type of short term loan, used in Russia since 1830 and familiar to the public, was the treasury note, popularly known as "series," which was intermediate between a bond and currency. As a bond, it bore interest, coupons being attached to the "series."

It was not legal tender for payment of debts between individuals, but was accepted by the treasury, by the State Bank in payment for supplies to the government, and in short in all transactions with the fiscal departments.

The "series" issued during the war brought in a total of \$437,000,000. There were three issues: August 22, 1914, \$154,000,000; March 22, 1915, \$154,000,000; and August 14, 1915, \$129,000,000. This type of obligation was discontinued after the third issue, as the public preferred the new "treasury bonds," already described, which bore higher interest and were sometimes issued for less than one year, the term of the old "treasury notes" or "series."

Long-term Internal Loans: The nominal amount of internal long term war loans was more than \$6,489,000,000. The Imperial government issued six of these loans:

5%	under ukase of October 30, 1914 for	\$257,000,000
5%	" " " February 6, 1915 "	257,000,000
5 & 5½%	" " " April 24, 1915 "	515,000,000
5½%	" " " October 28, 1915; "	515,000,000
5½%	" " " February 26, 1916 "	1,029,000,000
5½%	" " " October 10, 1916 "	1,544,000,000

The net proceeds of these loans amounted to \$3,879,000,000.

The Provisional (Kerensky) government issued at 5 per cent a single "Liberty Loan," by decree of March 27, 1917. The amount was not fixed but by September 27, 1917, it had

produced subscriptions of \$2,080,528,000. Its greater success than that of the imperial loans, both as to amounts subscribed and to the number of subscribers, more than 900,000, was due to the general satisfaction at the fall of the old régime.

On all these loans subscriptions were received at the State Bank as well as at the private banks and savings banks, and at other financial houses. A syndicate of private banks guaranteed the placement of a considerable fixed amount. Subscribers enjoyed certain fiscal privileges, such as exemption from the tax on securities and the acceptance of the bonds in payment of certain taxes and in payment of customs duties.

From 1916, the bonds could be borrowed upon from the State Bank at 88 per cent less 4 per cent to 5 per cent commission.

The price at which the first two loans were issued was 94 per cent to the public and 92 per cent to the banking syndicate. The syndicate took \$154,380,000 of each of these loans. The real interest therefore was 5.3 per cent.

When the income tax was introduced, income from war loan securities became subject to taxation as part of the general income of the individual.

The third Czarist loan was issued at 99 to the public and 97½ to the syndicate, which took \$308,760,000. The real interest was 5.6 per cent. The fourth, fifth and sixth loans were issued at 95 to the public and 93 to the syndicate, which took \$308,760,000 of the fourth, \$617,520,000 of the fifth, and \$823,360,000 of the sixth. The real interest on these loans works out at 5.8 per cent.

The Kerensky "Liberty Loan" was issued at a uniform rate of 85, with real interest at 6 per cent. The syndicate of banks guaranteed a minimum sale of \$1,543,800,000 of this loan.

The interest on these loans was low, as compared with Russia's previous war loans. The Russo-Turkish war loan of 1877 cost 7.5 per cent real interest and the Russo-Japanese loan 7 per cent real interest. The real amount received by the treasury from the seven internal loans in the Great War was, up to September 1, 1917, \$5,447,000,000.

On all seven loans, the large and medium subscriptions predominated. Even on the "Liberty Loan" the "democratic" subscription was negligible.

PUBLIC DEBT OF RUSSIA

SEPTEMBER 1, 1917

(In "Currency" dollars—000,000 omitted)

WAR DEBT

Internal

Funded Debt: Seven War Loans 6,489

Floating Debt

Treasury Bills (Series) 437

Treasury Bonds

Discounted by State Bank against
its notes 6,948

Sold to other banks and to the public 2,249 9,634

TOTAL INTERNAL DEBT 16,123

External

To France 762

To England. 2,766

To Japan 152

To Italy 10

To United States 279 3,969

TOTAL WAR DEBT 20,092

PRE-WAR DEBT

Internal 2,504*External* 1,968 4,472

TOTAL DIRECT DEBT 24,564

Guaranteed Debt 2,027

TOTAL DIRECT AND GUARANTEED DEBT 26,591

The Foreign War Debt: The external debt incurred for the conduct of the war amounted to \$3,969,000,000, about one-sixth of the total amount borrowed from the beginning of the war to the fall of the Kerensky government. These credits were obtained in Great Britain, France, Italy, Japan, and the United States. As the market transactions and the loans from allied governments were largely inter-dependent, it will be more satisfactory to consider them together in the next chapter, which deals with the inter-ally loans.

The Total War Borrowing of Russia

The total amount borrowed for the conduct of the war by the Czarist and Kerensky governments up to September 1, 1917 at par values was \$20,092,000,000. The status of the debt on that date is shown by the table on page 111.

HOW THE UNITED STATES BORROWED

When the United States on April 7, 1917, declared war against Germany, our debt was \$1,282,000,000. On June 30, 1920, the debt was \$24,298,000,000, almost twenty fold what it was three years before. This debt was owed entirely at home. The only foreign debt, if it can be so termed, which the United States had at any time during the war or thereafter, was for unadjusted accounts with associated powers for supplies furnished to our army or navy.

Financing the American Expeditionary Forces

General Dawes, the General Purchasing Agent, and Chairman of the General Purchasing Board, American Expeditionary Force, in his final report dated February 28, 1919, states that "the advisability of purchases in the United States

as distinguished from purchases in Europe was controlled by the continuous tonnage emergency."

The thing of supreme importance was to transport soldiers from America to France. Therefore, even if supplies obtained in Europe cost substantially more than they might have been obtained for in the United States plus transportation, it was necessary to assume the greater cost in order that the ships might be available to transport the troops.

The Annual Report of the Secretary of the Treasury for 1920 states that the currencies needed by the United States in France, Great Britain and Italy for our war expenditures in those countries were provided by the respective foreign governments under an arrangement whereby the dollar equivalent of the amounts so provided was made available to the respective foreign governments for use to meet their war expenditures in the United States, and thus the needs of these governments for advances from the United States were reduced by a corresponding amount.

The total amount of foreign currencies placed at the disposal of the United States under this arrangement, from April 6, 1917, to November 1, 1920, was \$1,490,557,000; \$449,496,000 by Great Britain, \$1,025,438,000 by France, \$14,425,000 by Italy, and \$1,198,000 by Belgium. For these advances the respective nations received credit on the books of the United States treasury and against these credits they were enabled to buy in the United States goods which they needed for the prosecution of the war. At the end of the war some remaining unsettled debit balances were paid by us in cash.

The government of the United States has been severely criticised in some quarters for handling the accounts in the manner indicated instead of treating debits of our European

allies against us as offsets to our credits to them. However, the criticism hardly holds water because our allies had to have the supplies furnished from the United States so that the method of accounting was unimportant. In the end our net advances must have been the same.

The War Debt of the United States

The Floating Debt: The methods of borrowing used by the United States government were much the same as those followed by the other belligerents except that we did not directly or indirectly issue any fiduciary currency. That is, we did not make any indirect issues by tendering treasury bills to a state bank which the bank must perforce discount, and in order to do so was authorized, really compelled, to issue its notes. However, the same result was accomplished, due to the fact that the federal reserve banks were authorized to rediscount for the commercial banks and to effect such rediscounts increased their note issues. Thus we see that during the three years above mentioned, the floating debt of the United States increased \$2,739,000,000, while the amount of federal reserve notes outstanding increased \$2,739,000,000, an exact parallel, although other causes besides the increase in the funded debt account to a considerable degree for the increase in the note issues. The actual amount of government securities of all kinds owned or loaned upon by the federal reserve banks on June 30, 1920, was \$1,610,000,000.

It is evident that the right to issue treasury bills, or in American parlance, certificates of indebtedness, had been used with reserve, for at the close of the period of war financing the floating debt was only 11.57 per cent of the total debt.

The War Loans: There were four loans issued by the United States for an aggregate amount of \$16,978,356,250.

A comparative summary statement of the debt pre-war, at the close of the war, and at the close of 1923 may be found among the Statistical Tables.

GERMANY'S BORROWINGS FOR WAR

Barring a small loan raised in the United States and possibly some quite unimportant financing in other neutral countries, all of Germany's war financing was with her own citizens.

Financing the First Part of the War

The Floating Debt: Early in the war she adopted the policy of borrowing in the first instance from the banks and from the public against issues of interest bearing or discounted treasury bills, which bills were semi-annually funded into permanent loans. These latter loans were issued in March and September.

Loans of the Imperial Bank to the imperial government which in the early part of 1914 had fluctuated between a minimum of \$178,500,000 and a maximum of \$323,918,000, suddenly jumped to \$495,278,000 at the end of July, 1914, reaching a maximum of \$1,131,690,000 at the close of September. Evidently, as a result of the successful flotation by the government of the first war loan, advances from the Imperial Bank fell off during October about \$500,000,000, but they soon increased and, at the end of the year, amounted to just under a billion dollars. Meanwhile the circulating notes of the bank which before the war had fluctuated between \$500,000,000 and \$600,000,000, had by the end of the year reached an issue of over \$1,200,000,000.

During 1915 loans to the government gradually increased, reaching a maximum of \$1,432,000,000 in the latter part of March and of \$1,788,000,000 at the end of September, and then dropping off again as the proceeds of the semi-annual bond issues materialized. At the end of the year the bank was lending the government \$1,381,000,000 while the circulating notes outstanding had reached \$1,646,000,000.

In 1916 the story of the bank is a similar one, loans to the government increasing in volume, with the usual peak load in March and September and closing the year at \$2,287,000,000. Note issues did not markedly increase during 1916, the amount of notes in circulation at the end of the year being \$1,917,000,000.

On April 7, 1917, the eventful day when the United States declared war, the outstanding note issue of the Imperial Bank was \$2,037,000,000 and the loans to the empire were \$2,366,000,000. At that date the total floating debt of the empire was \$4,450,000,000 so that the Imperial Bank was carrying a little more than one-half of this class of debt.

On July 31, 1914, the bank had a gold reserve of \$298,000,000 while on April 7, 1917, the reserve was \$603,000,000 or more than double the pre-war reserve. Therefore, while it is evident that during these years the government had used the facilities of the bank, it can not be said to have abused them, even though the relation of the gold reserve to net note issues had declined from a ratio of 1 to 2 to a ratio of 1 to 3½.

The Permanent War Loans: The permanent war loans were well received by the people, and in every case subscriptions were liberal. The loans all bore 5 per cent interest and were offered at a slight discount. Treasury bonds repayable by drawings were simultaneously issued. The first two issues

of these bore 5 per cent interest, subsequent issues $4\frac{1}{2}$ per cent.

The permanent loans and treasury bonds during the first three years of the war aggregated at par \$10,805,000,000, while the floating debt increased \$4,356,000,000, an aggregate increase in debt of \$15,161,000,000, bringing the total debt on March 31, 1917, up to \$16,446,000,000 as against \$1,285,000,000 on July 31, 1914. The interest charge increased from \$43,485,000 on March 31, 1914 to \$800,639,000 on March 31, 1917.

The Loan Banks: Subscriptions to the government issues were facilitated by the organization of loan banks. These banks, which were organized by the government or under government auspices, almost as soon as war was declared, had for their object making available for the use of the government investments in fixed forms, also investments in personal securities difficult of negotiation, as well as investments in securities ordinarily readily convertible. These banks were allowed to issue notes to bearer which circulated as money and which were accepted by the government in payment for its issues of bonds or notes. The loan banks accepted as security not only government bonds and other negotiable bonds and stocks but also loaned to some extent against goods, sugar, grain, silk and tobacco pledged by interior trading organizations.

Financing the Last Two Years of Warfare

During the remaining two years of active warfare, the same methods of borrowing were followed by Germany as those which we have just described, but the relation between floating debt and funded debt was altered for the worse with the result that whereas on March 31, 1917, the floating debt

GERMANY'S PUBLIC DEBT STATUS
(In "Currency" dollars—000,000 omitted)

For Fiscal Year Ended March 31	RECEIPTS FROM BORROWING			CAPITAL OF DEBT AT END OF FISCAL YEAR			Interest Charge as Debt stood at End of Year	CIRCULATING NOTES				Total
	Floating Debt Treasury Bills	Funded Debt Bonds of Em- pire and Treasury Bills Bearing Interest	Total	Floating Debt	Funded Debt	Total		Imperial Bank Notes	Treas- ury Notes	Loan Bank Notes		
1914	67	26	93	67	1,170	1,237	43	573	.....	.....	.....	573
1915	1,650	1,055	2,705	1,718	2,200	3,978	180	ci,201	56	106	.....	1,363
1916	333	4,851	5,184	2,051	7,196	9,247	444	d1,646	78	231	.....	1,955
1917	2,398	4,679	7,077	4,450	11,977	16,427	800	e1,917	84	684	.....	2,685
1918	3,484	5,677	9,161	7,934	17,116	25,050	1,229	f2,729	83	1,491	.....	4,303
1919	7,225	5,412	12,637	15,160	21,990	37,150	1,829	g,067	84	2,624	.....	8,775
1920	6,611	308	6,919	21,770	21,667	43,437	2,104	10,750	76	3,268	.....	14,094
1921	21,198	.....	21,198	42,069	19,554	62,523	3,056	16,521	72	2,420	.....	10,013
1922	23,067	.....	23,067	66,036	19,082	85,118	4,137	31,337	.....	2,047	.....	33,384
1923	1,903,107	.....	1,903,107	1,969,142	15,333	1,984,475	53,240	i,313,264	.....	2,999	.....	1,316,263

^aNot including "other floating debt" which according to another official document amounted to about \$3,449 million.

^bJune 30, 1914.

^cDecember 31, 1914.

^dDecember 31, 1915.

^eDecember 31, 1916.

^fDecember 31, 1917.

was only 27.06 per cent of the total debt, on March 31, 1920, the floating debt and the funded debt practically balanced each other. The former amounted to \$24,990,000,000, or 53.3 per cent of the total debt, the latter to \$21,896,000,000 and the total debt to \$46,886,000,000. At this time the notes of the Imperial Bank outstanding aggregated about \$11,000,000,000 and those of the loan banks amounted to about \$3,400,000,000.

Summary Statement of War Borrowing

A table expressly furnished for this book by the German ministry of finance is printed on page 118. This table gives for the year ended March 21, 1914, and for each year thereafter the revenue from borrowing, the total public debt at the end of the year and the interest charge on the debt as it stood at the end of the year. We have converted marks into dollars at the exchange parity and have added the amount of circulating notes outstanding on or about the same dates.

It will be observed by reference to Statistical Table XVIII that while the debt was large on March 31, 1920, amounting in currency dollars to \$46,886,000,000 its status did not compare unfavorably with that of the debts of France and of England, the former of which owed \$41,250,000,000 in currency and the latter \$38,311,000,000.

CHAPTER VIII

The Inter-Ally Loans

1914-1917

“AN alliance in a great war, to be effective, means that each country must bring all its resources, whatever they are, into the common stock. An alliance of war can not be conducted on limited liability principles. If one country in the alliance has more trained and armed men ready with guns, rifles and munitions than another allied country can command, she must bring them all up against the common enemy without regard to the fact that the others can not for the moment make a similar contribution. It is equally true that the same principle applies to a country with a larger navy, or the country with greater resources of capital and credit—they must be made available to the utmost for the purposes of the alliance whether the other countries are in the position to make a similar contribution or not.”

With these words, Mr. Lloyd George, Chancellor of the Exchequer, concluded an address in the House of Commons in February, 1915, asking the approval of the House for the most important financial arrangements with foreign nations which up to that time Great Britain had ever undertaken. It was in pursuance of these arrangements with her allies and of similar arrangements with her dominions made in the previous November, that Great Britain during a period of a little over two years made net advances to dominions and allies of \$3,824,496,000.

It is evident that to England belongs the honor of being known as the banker of the entente group for the first three years of the war. The principal borrowers on balance were

Russia for \$2,091,067,000; Italy for \$676,678,000; the British Dominions for \$544,510,000; and Belgium for \$291,063,000. During the same period, France borrowed on balance \$40,-524,000. The other borrowers for relatively small amounts were Serbia, Roumania, Montenegro, Greece and Portugal.

The facts are clearly shown in the table.

INTER-NATION INDEBTEDNESS DUE TO THE GREAT WAR

STATUS ON APRIL 1, 1917

(In dollars—000 omitted)

LENDERS	Great Britain to Allied Gvts.	Canada to Allied Gvts.	France to Allied Gvts.	Italy to Allied Gvts.	Russia to Allied Gvts.	Total
BORROWERS						
British Empire						
Great Britain	169,558	b375,900	c80,674	d1,265,160		1,891,292
Australia	238,920					238,920
Canada	289,584					289,584
New Zealand	88,561					88,561
South Africa	86,128					86,128
British So. Africa Co.	3,576					3,576
Crown Colonies	7,299					7,299
Total British Empire	714,068	169,558	375,900	80,674	1,265,160	2,605,360
Belgium	242,813		48,250			291,063
Belgian Congo	4,510					4,510
France	930,865					930,865
Greece	7,112		3,860			10,972
Italy	764,156	168				764,324
Portugal	9,732					9,732
Montenegro	456		96			552
Roumania	60,825					60,825
Russia	a2,922,689	36	426,530	6,972		3,356,227
Serbia	58,562		35,705			94,267
Total	5,715,788	169,762	890,341	87,646	1,265,160	8,128,697

aIncludes \$973 million for interchange of credits with Russia.

b"Gold Abroad."

cGold.

dGold \$291,960; Interchange of credits with Great Britain \$973,000.

THE BRITISH, FRENCH AND RUSSIAN ACCORD OF 1915

The great event in connection with early inter-ally financing was the tripartite conference held in Paris in February,

1915, when the military entente which already existed between France, Russia and England was supplemented and really made effective by a financial alliance which was the outcome of this conference. These arrangements were made by the finance ministers of the three nations, Mr. Lloyd George representing England, M. Ribot representing France, and M. Bark representing Russia. Mr. Lloyd George was supported by a very important group of financiers which included Lord Cunliffe, Governor of the Bank of England, and Mr. Montague of the English treasury department. Presumably the Russian and French finance ministers had financial advisers of similar importance.

The outcome of this conference was officially recorded in the following statement which was given out at the close of the conference:

“The Finance Ministers of France, Great Britain and Russia have met together at Paris to examine into the financial questions arising out of the war. They are agreed in declaring that the three powers are resolved to unite their financial resources, equally with their military resources, for the purpose of carrying the war to a successful conclusion. With this aim in view, they have decided to recommend to their respective governments to take over in equal shares the advances made, or to be made to the countries which are now fighting with them, or which may find themselves in the near future in a position to take up arms for the common cause. The amount of these advances will be covered by the individual resources of the three powers, as well as by the issue at a suitable opportunity of a loan in the name of the three powers.

“The question of the relations to be established between the banks of issue of the three powers was the subject of a

special understanding. The ministers have decided to proceed jointly with all purchases which their governments have occasion to make from neutral countries.

“They have adopted the financial measures necessary to facilitate Russian exports and to re-establish, so far as possible, the parity of exchange between Russia and the other Allies.

“They have determined to meet again according as circumstances may require. The next conference will be held in London.”

English financial circles were much disturbed at the intimations in the above statement that there was in contemplation “the issue at a suitable opportunity of a loan in the name of the three powers.”

Immediately after this agreement was entered into the Bank of England, on February 13, offered in London \$48,660,000 treasury bills for the Russian government. These were twelve months’ discount bills. They were offered at 95 and were over-subscribed, large subscribers being allotted only 82 per cent of the amount applied for.

An Historic Address

On February 15, Mr. Lloyd George addressed the House of Commons, explaining the terms of the agreement made at Paris for which he was asking parliamentary approval. In the course of this speech Mr. Lloyd George outlined the relative positions of the three great countries which had led the finance ministers to make the arrangement which he was commending to parliament. He called attention to the fact that Great Britain and France were two of the richest countries in the world and the great bankers of the world. He stated that Great Britain could pay for the huge expenditure

of the war for five years, allowing a substantial sum for depreciation, out of the proceeds of her foreign investments, and that France could carry on the war for two or three years at least, out of the proceeds of her investments abroad, and that the respective countries at the end of these periods would have something to spare to advance to their allies. He claimed that the Allies were fighting the whole of the mobilized strength of the German army with perhaps less than one-third of their own strength, and he said that the problem was how to bring the remaining two-thirds of their resources and strength into the fighting line at the earliest possible moment.

Russia's Difficulties: Mr. Lloyd George called attention to the fact that Russia was prodigiously rich in natural resources, in fact perhaps the richest country in the world in food products and raw materials. He referred to her great and growing population and commented on the fact that she therefore had labor in abundance with which to develop her resources. The great difficulty with Russia, he said, was that although she had great natural resources she had not been able to command the capital within her own dominions to develop those resources, even during times of peace. At that time, under war conditions, she could not sell her commodities; this for several reasons. One was the difficulty of obtaining working capital; another was the fact that absorption of labor into the armies had reduced the amount available for use in the mines, factories and on the fields. For these reasons and others Russia was experiencing special difficulties in the matter of financing outside purchases for war use.

Difficulties of France: Mr. Lloyd George stated that France also had special difficulties and that he was not sure that in England they quite realized the strain that had been put upon that gallant country up to that time.

He referred to the fact that the enemy were in occupation of part of her richest territory; that they were within fifty miles of her capital, exactly as if a huge German army were at Oxford. But, he said, notwithstanding these facts, France had raised great sums of money to carry on the war and to help finance the allied states. He referred to the wonderful confidence prevailing throughout France, the "calm and serene confidence which is supposed to be incompatible with the temperament of the Celt by those who do not know him."

The Needs of Other States: Reference was made to Belgium, devastated, desolate, and almost entirely in the hands of the enemy, with an army and a civil government to maintain but with no revenue; and to Serbia, "with a population equal to that of Ireland, a people of peasants maintaining an army of 300,000 and having her third great war within two years." It was stated that other states were preparing for war and that it was obviously to the interest of England that they should be well equipped for their task and that they could only borrow in the French and English markets.

England's Difficulties: Mr. Lloyd George went on to speak of the special difficulties which England was experiencing. Two-thirds of her food supplies were purchased from abroad. Enormous quantities of raw materials for her manufactures and her industries were largely absorbed in war equipment and her ships were engaged in war transportation. Therefore, he said, "we can not pay as usual in exports and freights and services and our savings for the moment are not what they would be in the case of peace. We can not therefore pay for our imports in that way." He explained that for these reasons it was necessary to finance purchases abroad by creating enormous credits and by enabling her allies to do the same thing.

Cooperation in Making Purchases: Passing over for the time Mr. Lloyd George's statement to parliament in regard to the special arrangements which had been made with Russia, it is of interest to note the very important announcement then made that the three countries had agreed to coordinate their methods of purchasing supplies. He said that the methods which had been in use had led to a good deal of confusion; that the three nations were buying in the same countries and buying against each other, therefore putting up prices upon one another. "It ended," he said, "not merely in confusion but I am afraid in a good deal of extravagance."

To correct this condition he explained that a coordinating arrangement had been made which would eliminate this competition and enable the nations to combine their orders. He hoped this would lead to less delay and more efficiency and to the avoidance of extravagance due to the former methods of working.

The House of Commons Approves

In the course of the debate in the House of Commons on the motion to approve the action of the government, it was generally conceded that as the Allies were in a joint undertaking, they must regard all of their resources, men, armies, equipment, food, credit, as a whole and use them when, how and where they could be disposed of to the greatest advantage. Special commendation was given to the arrangement for the joint purchases of supplies. The extension of aid to the smaller countries, especially to Serbia, was also approved but it was not thought desirable, even for this purpose, that there should be any joint financing. The accord with France and Russia was approved on February 23.

It will now be of interest to consider in some detail the

outcome of these understandings. But first of all let us see how England arranged to uphold the hands of France in order that together they might support, and encourage Russia and thus insure her continuing cooperation with them in the struggle.

FINANCIAL ARRANGEMENTS BETWEEN GREAT BRITAIN AND FRANCE

In October, 1914, France placed her first loan on account of the war in the English market. This was an issue of £2,000,000 (\$9,733,000) one-year sterling treasury bonds sold through Messrs. N. M. Rothschild & Sons of London.

The London Conference of May, 1915

In May, 1915 a very important arrangement was created between the French and British governments at a conference held in London between M. Ribot, the French Minister of Finance and Mr. Lloyd George, Chancellor of the Exchequer. Perhaps we can not do better than to let M. Ribot tell us exactly what happened. We shall quote from an eloquent speech which he delivered from the rostrum of the Chamber of Deputies early in the month of May. He spoke in part as follows:

“I have been to London recently. I found the entire government, especially the Chancellor of the Exchequer, Mr. Lloyd George, most amicably disposed. It is a pleasure to negotiate with such a quick and open mind as that of the chancellor. Business does not drag with him, and this is a quality that we know how to appreciate. In a few hours we had everything settled.

“I told Mr. Lloyd George that we had heavy payments to make to America, to Canada, and to London, and that he

could help us by opening credits to us in England. We reckoned up together the amounts that France would have to pay out in the following six months. Six months is a long period in war time for a minister of finance, I do not wish to look any further ahead for the time being. We drew up estimates; perhaps a little underneath the exact amount for I can not answer for my friend, M. Millerand, not being led into going beyond his own specifications. I will try to manage so that expenses will be kept down to the indispensable minimum. However, we arrived at a total of a little more than a billion and a half francs (\$289,500,000) to be paid in six months either to the United States, to Canada or to England.

"We asked ourselves under what form we might obtain credits in England. We might have launched treasury bills with the help of the Bank of England as we did in January last; we have at present sold £10,000,000 worth (\$48,660,000) or in round numbers 250,000,000 francs. Our credit is pretty well quoted in London as you may see by the papers, which show our bills, issued at 5 per cent, discounted on the stock exchange at $4\frac{1}{2}$ per cent.

"French credit is therefore solid on the London market. If the government or the bank were willing to facilitate a fresh issue, we could make it under good conditions, but the chancellor of the exchequer is not anxious at present that loans should be made on the London market. He does not make any himself and does not want anyone else to do so. He, himself, offered to open credits to us, to put at our disposal the sum of 1,500,000,000 francs (\$289,500,000) on condition that we would send over shipments of gold representing a third of the total credits, which seemed to us perfectly just. In other words, if we send to London at periods chosen by us 500,000,000 francs (\$96,000,000) in gold (this is the maximum)

we shall receive as a counterpart not 500,000,000 francs, but 1,500,000,000, that is to say three times as much. It is perfectly just that we should be asked for a shipment of gold, because England could not maintain her exchange with the United States, in view of the new burden laid on her by France, unless she were able herself to make gold shipments to America.

“The plan is equitable and on broad lines. I accepted it in your behalf, gentlemen, and I hope you will not disavow it. We can accept it, not merely as a helping hand from our allies, but as a business transaction where each contributes an asset. We contribute the gold required; we have it and can offer it; and in exchange we are tendered credit. I can not call this exactly a trade but it is one of those transactions which are their own excuse; where the dignity of peoples is safeguarded because they bring reciprocal gifts.”

At the conclusion of this address the deputies rose and applauded at length. The minister returned to his bench and was congratulated by his colleagues.

In the course of his address, M. Ribot stated that the United States was actually the great source of supply for Europe of industrial materials and of armament and munitions. He also said that the United States was the creditor of Europe for from 700,000,000 to 800,000,000 francs monthly (\$135,100,000 to \$154,400,000) and that while the elements of compensation were temporarily lacking they would not remain wanting and they would consist largely of American securities held by European investors. He estimated that in the coming six months French government purchases in the United States, England and Canada would aggregate one and a half billion francs (\$289,500,000). Referring to the loan of gold to England, M. Ribot said, “The bargain is advanta-

geous; it matters little that the gold reserve of the bank is reduced some 500,000,000 francs (\$96,500,000); a decline in the gold holdings of the bank from 3½ billion francs to 3 billion francs (\$675,500,000 to \$579,000,000). This great sum was not accumulated never to be used. France, moreover, abounds in gold, although it is not seen and it is not to our interest that it should be seen. After the peace, if political and financial conditions are favorable, the bank's gold reserve will gradually be reconstituted."

It was not in this address but in connection with an earlier address before the Chamber of Deputies in which he was setting forth the methods of finance which the government had adopted, that M. Ribot closed by saying "What we are doing assuredly is not a work of genius, but it is a French piece of work because it is the product of sincerity, anxiety and clarity." These remarks may well be applied to this very sensible arrangement for mutual co-operation just described.

Borrowing American Securities

On June 3, M. Ribot presented a financial statement in which he said that the government had distributed widely to credit houses circulars stating that they were authorized to buy United States railway securities for government account. These securities were to be used as collateral to loans to be placed in America.

Loans from Great Britain

In November, 1915, France placed through the Bank of England a goodly amount of her first great loan of national defence, approximately \$117,000,000 par value. It is understood that these bonds were distributed among some twenty-two thousand subscribers. The proceeds of the sale were

used to liquidate some part of the large indebtedness which the French government had incurred in England since the beginning of the war.

In January, 1916, the Bank of England received subscriptions for French sterling treasury bills which were issued at the fixed rate of discount of $5\frac{3}{4}$ per cent. This issue of bills was for a maximum amount equivalent to \$350,352,000 and was not to mature until two years after the close of the war. In consideration of this credit, the Bank of France sent gold to England worth \$116,784,000. This was done in pursuance of the arrangements already described.

In September, 1916, the British treasury agreed to discount a further amount of French treasury bills maturing three years after the war. The proceeds of these bills were to be used only to meet payments to be made within the United Kingdom. In connection with this credit apparently no deposit of gold was required.

On the 1st of April, 1917, France was borrowing from the British government the equivalent of \$930,865,000, but up to that time she had not borrowed from any other ally.

France as a Lender

On the date last referred to above, France was lending \$890,341,000 divided, \$375,900,000 to Great Britain (the loan of gold already discussed), \$48,250,000 to Belgium, \$3,860,000 to Greece, a small amount to Montenegro, \$426,530,000 to Russia, and about \$35,705,000 to Serbia, and she had agreed to make additional loans aggregating \$173,000,000 to Serbia and Belgium, making her total loans or commitments \$1,063,341,000. Thus her loans and commitments more than offset the amount which she was borrowing from Great Britain.

RUSSIA'S FOREIGN FINANCING

We are now in a position intelligently to consider how France and England financed their great Muscovite ally.

For convenience we shall bring into the record the story of the financial relations which existed during the war between Russia and her other allies.

Russia's Total Borrowing Abroad

Russia effected during the war, from August, 1914, to September, 1917, inclusive, foreign credit operations in the markets and with allied governments to a total amount of about four billion dollars. The loans were made payable in foreign money or in gold and according to reliable Russian authorities were obtained from the various lending nations in the following amounts:

\$2,766,000,000 in England
762,000,000 in France
152,000,000 in Japan
10,000,000 in Italy
279,000,000 in United States
\$3,969,000,000

In addition, in October, 1915, there was a credit operation of a special character effected in England for \$973,000,000 in favor of the Russian State Bank. This is described in a later paragraph.

The external loans of Russia during the war had a rather well defined limit, as was indeed the case with the foreign credits of the other belligerents. This limit was set, generally speaking, by the quantity of orders for war material which foreign manufacturers received from each belligerent. So far as Russia is concerned, the amount of credits opened abroad

was somewhat greater than the value of military orders sent abroad. The difference was caused by credits opened in Paris and in London for the payment of interest on the Russian debt, as well as by relatively small sums placed at the disposal of the Russian government to stabilize the exchange rate of the ruble and obtain exchange for the industrial and commercial circles of Russia.

On the other hand, the distribution of military orders to the different countries did not coincide with the respective amounts of the loans which were effected in such countries. Thus Japan and the United States received from Russia more military orders than the credits allowed her by them, while on the other hand England opened a far greater amount of credit than the amount of the military orders which she received. In fact, England served as intermediary in the financial settlements of Russia with the United States and Japan and other countries, just as she did in connection with the foreign purchases made through her by France and some of the smaller allies. To liquidate the balance of accounts unfavorable to Russia in other countries, England borrowed on her own account in those countries and opened corresponding credits in favor of Russia in London.

Credit Operations of Russia in Great Britain

As we have seen, the credit operations between the Russian government, the English government and the Bank of England, for the period in which Russia was a factor in the war, aggregated \$2,766,000,000.

Russia's Gold Shipment of 1914-15: Some important financing had already taken place before the accord of February, 1915. In October, 1914, Russia sold \$39,000,000 in gold to England, the proceeds to be used in financing pur-

chases by the English government for Russian account, and in consideration of this strengthening of the gold reserves of the Bank of England, it was arranged that the Russian government should receive advances of \$58,000,000. In order to observe absolute secrecy about this shipment of gold, extraordinary precautionary measures were taken. The English cruiser *Drake* and the military transport *Mantois*, on arriving at Archangel, cast anchor on the high seas at a distance of thirty miles from the coast and the gold was carried out to them by night on lighters. Despite these precautions the Germans were apprised of this shipment and on their return to England the *Drake* and *Mantois* encountered mines which German submarines had placed in their route.

The gold was finally delivered at Liverpool but the danger of such an enterprise and the fact that war vessels conveying the shipment of gold were damaged during the voyage, forced the British government to discontinue this means of transportation, and all subsequent shipments of gold were made by rail to Vladivostock and thence on Japanese cruisers to Vancouver, Canada, and presumably then overland to Ottawa where, it will be remembered, the Bank of England maintained for several months a depository for part of its gold reserve.

Early Credits from England: This relatively unimportant sum could not smooth out the difficulties created for Russia by the prolongation of the war. Russia needed further credits of far greater importance. Prior to the meeting of the three ministers in Paris in February, Mr. Lloyd George had agreed to advances of some \$97,000,000 in addition to the \$58,000,000 above referred to. In his address to parliament which we have just paraphrased, he stated that these credits had been availed of by Russia for making purchases in England and

elsewhere outside of the British Empire. He explained to parliament that England and France had given a guarantee to Russia that she need not hesitate a moment in giving her orders for any purchases which were necessary for the war on account of fear of experiencing any difficulty in the matter of raising money for payments.

Debts of Russian Merchants in England Financed: The chancellor further stated that arrangements had been initiated which it was hoped would help to restore the exchequer in respect of bills held in the United Kingdom against Russian merchants who, although perfectly solvent, could not discharge their obligations in England owing to difficulties of exchange. The plan adopted was to accept Russian treasury bills against these bills of exchange due from Russian merchants, the Russian government to collect the debts in rubles in their own country and to give Britain the treasury bills in exchange.

The Paris Accord and English Credits: As a result of the Paris accord, additional credits were opened for Russia in London for \$243,000,000. A contract was entered into with Barings for the immediate issue of Russian treasury bills to run from February 23, 1915, to February 22, 1916, with a guarantee of taking what the public might not subscribe. A commission of $\frac{1}{2}$ per cent, plus stamp taxes and the expense of making the securities, was agreed upon, of which commission the Bank of England was to receive one-half. By virtue of these initial arrangements, the Bank of England discounted under the guarantee of the British government during November, 1914, \$58,000,000 at 4 per cent.; during February, 1915, \$195,000,000 at 5 per cent; and during July and August, 1915, \$243,000,000 at 6 per cent, or \$496,000,000 in all.

The Boulogne Gold Agreement: In September, 1915, there

was another meeting of the ministers of finance of the three countries, this time in London. This meeting was for the purpose of arranging for still larger credits to Russia. In the meantime there had taken place an Anglo-French agreement at Boulogne by which the Bank of France and the Bank of England contracted each to send to New York \$195,000,000 with a view to facilitating the issue of the Anglo-French 5 per cent loan for \$500,000,000.

It was decided at Boulogne to request Russia to take part in this procedure by sending an equivalent amount along with this shipment of gold. At the London meeting, M. Bark dwelt upon the difficulty under which he labored in permitting the further reduction of the gold holdings in the State Bank, in view of the sentiment of the Duma and of public opinion generally. On the other hand, Mr. Reginald McKenna, who in May had succeeded Mr. Lloyd George as chancellor of the exchequer when the latter became minister of munitions, pointed out the difficulties with which the Bank of England had to contend, as this institution alone of all the banks of issue of the powers at war, had not discontinued the exchange of its notes against gold. He made it very plain that England would be willing to open further credits in favor of Russia solely on condition that Russia placed at her disposal by way of an advance, a substantial quantity of gold. Lengthy discussions dragged out without giving any result. Russia finally yielded only when France, which nation also had requested the opening of credits in England, declared her readiness to export thither a portion of her gold. The Russian minister of finance, who was thus placed in a situation from which there was no escape, nevertheless succeeded in obtaining special conditions and particularly it was understood that the gold would be returned to Russia after the war, while

the Russian government reserved the right to keep the arrangement secret in order not to bring to light at home the unfavorable influence of the decrease of gold on the balance sheet of the Bank of the State.

The Great Credit of 1915: It was finally agreed that the British government would open in favor of Russia a credit for \$1,460,000,000 for one year, this credit to be effected through the Bank of England, which agreed to discount every month \$122,000,000 of Russian treasury bills at a rate one per cent higher than its own rate of discount. These advances were to be utilized for the payment of coupons, for purchases in England, and in connection with the exchange operations in the United States. In consideration of such advances, M. Bark promised to have Russia furnish the \$195,000,000 in gold, of which one-half only would be exported during the first six months. In exchange for this gold Russia was to receive British exchequer bonds payable in gold after the close of the war, within a period to be decided later.

"Gold Abroad" vs. "Intangible Credits": A further consideration received by Russia was an arrangement by which the British government agreed to open in favor of Russia a non-negotiable credit for \$973,000,000, which appeared on the balance sheet of the Bank of the State as "gold abroad" and afforded a basis for the issuance of bank notes in Russia. This plan was made effective in the following manner: Great Britain made an exchange of obligations with the Russian government, the Russian government depositing with the British treasury non-interest bearing Russian treasury bonds, while the British Government gave in exchange intangible credits. This arrangement was to expire not later than one year after the conclusion of peace, when these obligations of equal value of both parties were to be redeemed. Thanks to

this arrangement, which was pure camouflage, in banking parlance "kiting," the decrease in the gold stock resulting from the exportation of the gold, was not perceived by the public at large. Indeed, the decrease of specie under the heading of "gold coin, ingots and vouchers of mines," was more than compensated by the increase in the quantity of specie under the heading of "gold abroad." This was one of the financial secrets of the war, which only came to light after the fall of the Czarist government.

The Conference of 1916: In July, 1916, another conference of the three finance ministers took place in London. The Russian minister of finance was accompanied by General Belyaev, Chief of Staff. M. Bark stressed the fact that during the first year of the war Russia had covered its internal expenses by appealing to the national market for about \$3,602,000,000 and had covered its foreign expenditures by exhausting the funds accumulated with the correspondents of the treasury and finally by utilizing credits to the amount of \$618,000,000 opened by the Allies. He set forth that the Russian needs were constantly increasing. He asked for \$1,460,000,000 with the power to make payments for limited amounts in Italy, Japan and Scandinavia, with a view to paying the coupons of the state debt, the guaranteed debt, and the municipal debt, and furnishing exchange for commerce.

England Demands More Gold: The discussion was keen. It dealt principally with the question of gold as the English statesmen were apparently terrified with the weight of their engagements and responsibilities. M. Bark endeavored to maintain the point of view to which he held that credits should be separated from the question of gold, and he insisted that up to that date France had not sent the gold as

agreed at Boulogne. The tenacity of Mr. Reginald McKenna, then chancellor of the exchequer, prevailed, and the Russian minister had to agree to ship the balance of \$58,000,000 out of the \$195,000,000 promised in the autumn of 1915 to cover the former arrangements, and also to ship \$97,000,000 in addition by June, 1917, against \$730,000,000 of new credits.

The shipments of gold contemplated in these several agreements were made in the following manner: For \$195,000,000 to be delivered under the first arrangement, \$49,000,000 were shipped in December, 1915, \$49,000,000 in June, 1916, and \$97,000,000 in November, 1916. The gold was sent partly to Japan and partly to Canada. In accordance with the arrangement made between the British admiralty and the Japanese minister of marines, the gold was sent on Japanese war ships and under Japanese escort. In like manner there were shipped from Moscow on the eve of the revolution, in February, 1917, in accordance with the second agreement, \$97,000,000 in gold. In consequence of these shipments, the Russian gold stock decreased \$331,000,000. It will be remembered that the first delivery in October, 1914, of \$39,000,000 in gold was an outright purchase of gold by the British government against credits for \$58,000,000. To offset the loan of the remaining \$292,000,000, England delivered to Russia gold exchequer bonds payable in from three to five years in equal portions without interest.

Great Britain's Total Advances to Russia: The total advances made by the British government to Russia amounted to \$2,733,000,000, of which \$496,000,000 were advanced during 1914-15, \$1,460,000,000 in accordance with the agreement of September, 1915, and \$777,000,000 in accordance with the agreement of October, 1916.

Both of our Russian authorities, Dr. Eliacheff and M. Raffalovich, agree that the total advances of Great Britain to Russia amounted to \$2,733,000,000.

Dr. Eliacheff states that the last \$47,000,000 was advanced after the Bolshevik coup d'état to the Russian National Committee in London. Eliacheff also states that in addition to these direct advances, there was a debt resulting from operations in exchange amounting to nearly \$32,000,000, making a grand total of \$2,765,000,000. He adds that this figure "must be increased by the accrued interest on the debt which on January 1, 1919, had already reached the sum of \$234,000,000." He says, also, that there were \$68,000,000 due on military orders.

M. Raffalovich does not mention the debt due for exchange operations or the accrued interest, but he refers to payments made by the British government on coupons which he places at \$19,556,000. He says that after the overthrow of the provisional government and the repudiation of the debt by the Bolsheviks, the British government ceased its advances and paid no more coupons. He tells us, though, that the British government agreed to exchange against 3 per cent treasury bonds for twelve years, which were worth in the market 82 per cent, treasury paper issued in 1915 and commercial paper on Russia issued pursuant to the agreement of 1915. He estimates that in this way a sum of \$40,777,000 was converted and added to the debt. If we assume that the \$19,556,000 paid on coupons was provided out of Russian money in the British treasury, but that the \$40,777,000 was an addition to debt, we arrive at a total debt on Raffalovich's basis of \$2,773,777,000, which agrees remarkably well with an official statement of the British government which shows that on March 31, 1918, Russia owed Great Britain \$2,779,-

000,000. The British statement for the next year, however, shows an indebtedness of \$2,764,000,000, which would agree with Eliacheff's figure. In all three cases it is quite evident that no allowance is made for accrued interest.

Credit Operations of Russia in France

The character of the transactions of the Russian minister of finance in France differed in two essential respects from the credit operations effected in England. First, there was no agreement with private banking institutions, and second, the French government did not raise the question of a specie pledge by the offering of Russian gold. This question did not arise because the credits opened in favor of Russia in France were destined exclusively for the payment of military orders and for the payment of interest on Russian bonds held in France.

In the course of the war the Russian government made three financial agreements with the French government; one in February, 1915, one in November of that year, and another in 1916. The general terms of these three agreements were identical, the differences relating only to the amount of the credits opened and to some secondary conditions.

At the time of the second meeting in June, 1916, M. Ribot said, "we shall go, if necessary, to the very limit of our resources to back our ally, but our situation is becoming more and more difficult. We are forced to have recourse to the Bank of France to a large extent to meet our war expenses; it is the Bank of France alone which supplies the advances which we make to our allies. The bank has no means of increasing its resources other than the increased issue of its paper money." The issue of paper money had reached \$3,088,000,000, a figure which gave considerable concern to M. Ribot.

The French government placed at the disposal of the Russian treasury its three months' treasury notes renewable within one year after the signing of peace. These French treasury notes were discounted by the Bank of France at an interest rate of 5 per cent and for the average amount of \$24,000,000 a month. By reason of this moderate discount rate and the absence of commission to the Bank of France, Russia found in France the most advantageous conditions for her war loans contracted abroad, with the exception of the credits opened in her favor by the United States after the entry of the latter into the war.

The French agreement of the month of February, 1915, opened credits in favor of Russia for \$121,000,000, and that of the month of November for \$290,000,000. The 1916 agreement was created for the duration of the war. It stipulated no limit as to the amount and merely fixed the monthly credit at \$24,000,000, of which amount one million a month was placed at the disposal of the Russian exchequer for the stabilization of the exchange rate of the ruble and to meet the demands for exchange by Russian commerce and individuals.

In addition to the agreement between the two governments, there was a special agreement, made in the early part of 1915, between the Bank of France and the Russian State Bank. This agreement opened in favor of the Russian State Bank a credit of \$97,000,000 for the purpose of liquidating obligations of Russian commercial houses and industrial enterprises contracted in France before the war.

At the time of the Bolshevik coup d'état, the total amount of credits utilized in France was \$665,000,000, to which must be added the debt of \$97,000,000 due by the Bank of the State to the Bank of France.

Russian Credit Operations in Japan

From the very first year of the war, in view of the isolation of Russia from Western Europe, Japan became an important supplier of war material to Russia. Heavy artillery, armored cars and even small pharmaceutical products were comprised in the wide range of articles which warring Russia imported from Japan.

The restricted capacity of transportation of the Trans-Siberian Railway limited imports from Japan; nevertheless it is probable that Russia was the country which contributed most to the great economic development of Japan during the war. Payments for the numerous orders placed in Japan were made either by direct remittances or through England or by means of credits opened by Japan in favor of the Russian government.

In February, 1916, an agreement was made between the Russian government and a group of Japanese banks headed by the Yokohama Specie Bank, which made it possible to dispose of \$25,000,000 in Russian treasury notes on the Japanese market. These treasury notes issued for one year were renewed in February, 1917, for the further period of one year.

In April, 1916, the Japanese State Bank discounted Russian treasury notes to the value of \$8,000,000. The sum realized was remitted to the Japanese government in payment for the Japanese war ships purchased by Russia. These treasury notes issued for six months were renewed in October, 1916, and again in October, 1917, for a period of one year. They bore interest at 7 per cent.

In September, 1916, the same group of banks represented by the Yokohama Specie Bank agreed to a loan of \$35,000,000; the Russian government issued treasury notes payable

within one year at the same rate. In September of the following year, in order to be able to pay for the matured treasury notes, the Russian Government discounted at the Japanese State Bank, new treasury notes payable within two years at the rate of 6 per cent and $1\frac{1}{2}$ per cent commission to the amount of \$52,000,000. Of the sum realized, \$35,000,000 served for the reimbursement of the matured treasury notes and \$17,000,000 remained at the disposal of the Russian ministry of finance.

In October, 1917, under similar conditions (the commission of the Japanese State Bank had been reduced from $1\frac{1}{2}$ per cent to 1 per cent) the Japanese State Bank discounted another lot of Russian treasury notes for the amount of \$25,000,000. All sums derived from these transactions were devoted exclusively to payments made in Japan itself.

Aside from the above-mentioned loans, the Russian government contracted in Japan debts amounting to the sum of \$37,000,000 to various Japanese houses which supplied it with war material.

The total amount of the Russian debt to Japan thus amounted to \$147,000,000, of which \$110,000,000 was derived from the discounting of Russian treasury bonds and \$37,000,000 represented the debt to industrial and commercial enterprises which supplied war material to Russia. There appear to have been other credit operations in Japan involving a further sum of \$5,000,000 in regard to which exact information is missing. On December 2, 1918, the Russian ambassador at Tokio, M. Kroupensky, advised the Russian representatives abroad that the Japanese government had decided to consolidate the Russian debt to Japan and keep intact the sum of \$29,000,000 remaining in the Yokohama Specie Bank for the account of the Russian ministry to

finance until such time as a new and lawful Russian government should be formed.

Russian Credit Operations in the United States

Until the entry of the United States into the war, Russia had had difficulty in securing credits in our country even for the payment of orders from the ministry of war placed in America. The credit terms charged for comparatively small loans were rather burdensome. For this reason a large part of Russian military orders placed in the United States was financed through England.

The first transaction made in America was a credit of \$5,000,000 opened in favor of the Russian ministry of finance in October, 1914, by the National City Bank. The Russian government paid 6 per cent interest and a commission of $\frac{1}{8}$ per cent to the bank. The credit was opened for three months but it was renewable after an agreement to that effect between the Russian ministry of finance and the National City Bank.

In April, 1915, the ministry of finance made a contract with the National City Bank by which the bank acquired Russian treasury notes to the value of \$10,000,000. The bank took the treasury notes at the rate of 98 per cent, with 5 per cent interest and a commission of $\frac{1}{16}$ per cent. The treasury notes ran for one year. In April, 1916, the matured treasury notes were paid by the delivery of new treasury notes to the amount of \$11,000,000. The same operation was repeated in April, 1917. The terms remained the same except for the fact that the price paid for the notes was 97, but the bank's commission was eliminated.

On June 28, 1916, an agreement was made between the Russian ministry of finance and a syndicate of American

banks headed by the National City Bank, for the opening of a credit of \$50,000,000 on the following terms: Within three years sums paid out under this credit were to be reimbursed to the syndicate in dollars. The sums paid out could be utilized at the will of the Russian ministry of finance, but exclusively for payments to be made in America. The credit opened to the Russian government was guaranteed by a corresponding credit in rubles (for the sum of \$77,000,000) opened in favor of the syndicate of American banks by the Russian State Bank in Petrograd. Interest at the rate of $6\frac{1}{2}$ per cent plus 1 per cent commission was payable by the Russian government on the amount of the credits in rubles not utilized by the American syndicate. Interest was paid in dollars at the exchange rate of $33\frac{1}{3}$ cents per ruble. One-third of the sums drawn by the syndicate on their account in rubles could be used toward the payment by the Russian government of the amount due in dollars.

Finally in November, 1916, the Russian government issued on the American market, through the same syndicate of banks, treasury notes for the sum of \$25,000,000. These treasury notes at $5\frac{1}{2}$ per cent interest were payable on December 1, 1921, in gold, either in dollars in New York or in rubles in Petrograd at the exchange rate of the day, as the holder might elect.

After the entry of the United States into the war, the American government opened in behalf of Russia a credit of \$325,000,000. The interest was not stipulated at the time of the opening of credit. In November, 1917, the rate of interest was fixed at $3\frac{1}{2}$ per cent and at $4\frac{1}{2}$ per cent for credits subsequent to September 25, 1917. The first draft on this credit, amounting to \$35,000,000, was made on July 6, 1917. On November 15, 1917, the sums paid out amounted to

\$188,000,000. After the Bolshevik coup d'etat the American government stopped the credit.

BRITAIN'S LOANS TO AND FROM HER DOMINIONS

The first step toward co-ordinating the financial resources of the British Empire was taken in November, 1914, when Great Britain, with a view to avoiding the disadvantages incident to the separate flotations of loans by each of the dominions, made arrangements with Canada, Australia, New Zealand, and South Africa to supply them with such munitions as they might require and probably with at least part of the funds with which to pay their soldiers. The advances were reckoned in terms of money and charged up to the different dominions upon the books of the British government. It was understood that the rate of interest to be charged the dominions should not in any case exceed the rate of interest at which Great Britain herself had borrowed. These advances amounted in the British fiscal year ending March 31, 1915, to \$193,000,000. In the following year similar advances were made for \$251,000,000 and in the year ending March 31, 1917, the advances totaled \$270,000,000, so that for the three years prior to the entrance of the United States into the war Great Britain had advanced to her dominions and colonial possessions upwards of \$714,000,000.

On the other hand, she had received loans from Canada amounting to \$169,558,000, while the Canadian banks had lent Great Britain \$100,000,000. These loans from Canada were made to facilitate payment for munitions of war, including grain purchased in Canada by Great Britain.

Apparently there were no similar counter loans made by the other dominions although arrangements were made by the British treasury with Australia for purchases of wool and

grain, with New Zealand for the purchase of wool and possibly some other materials, and apparently some supplies were also obtained on credit in South Africa.

ITALY'S INTER-ALLY FINANCING

Italy did not become a belligerent until May 23, 1915. This decision was arrived at following a secret treaty with Great Britain, Russia and France, signed on May 9 of the same year. In this treaty Great Britain undertook to facilitate the placing on the English market of a loan of £50,000,000 (\$243,300,000) in favor of Italy.

In the following June, Mr. Reginald McKenna, Chancellor of the Exchequer, had an interview at Nice with the Italian minister of finance, at which time, recognizing the impossibility of effecting a loan in the London market, he offered instead to open to Italy a credit of £60,000,000 (\$291,960,000) at the Bank of England, to be covered by Italian treasury bonds in sterling having twelve months maturity.

In this connection an arrangement was made for the transfer of Italian gold to Great Britain. There is not very much known about the details but it appears to have followed along the same lines as the similar agreements entered into with Russia and with France. As Italy has no state bank, the Italian government apparently caused the three Italian banks of issue, namely the Bank of Italy, Bank of Naples, and Bank of Sicily, to transfer to England the equivalent of \$80,674,000, in gold lire, distributed approximately \$73,000,000 from the Bank of Italy, \$6,000,000 from the Bank of Naples, and \$2,000,000 from the Bank of Sicily. It is understood that around \$58,000,000 of this amount belonged to the Italian treasury. In addition to this loan of gold to England, Italy advanced Russia about \$7,000,000.

By a subsequent agreement made in London, December 21, 1915, the British government placed at the disposal of the Italian government a credit of £122,000,000 (\$593,652,000) with the promise to make additional advances from time to time. The total advances so made aggregated the equivalent of \$764,000,000 up to March 31, 1917.

Italy also appears to have borrowed a small amount from Canada, but with this exception her entire borrowings prior to the entry of the United States into the war were from Great Britain.

INTER-NATION LOANS OF THE CENTRAL POWERS

The inter-nation financing of the Central Powers was much simpler than that of the Allied Powers due to the fact that there were only four nations involved, and that one probably did all the lending while the others were borrowers.

Austria-Hungary, Bulgaria and Turkey all borrowed substantial amounts from Germany. During the month of January, 1915, German banks advanced \$15,000,000 to Bulgaria. It was explained that this loan had been promised before the war began, and therefore was just a market proposition. Nevertheless, the receipt of the loan from German sources probably had its value in influencing Bulgaria, the following October, to become the active ally of Austria-Hungary and Germany.

The total advances of Germany to her allies during the first three years of the war is estimated to have been \$1,347,000,000.

CHAPTER IX

The United States Becomes Financier for the Allies

1917-1920

ON April 6, 1917, the United States ceased being a merchant in munitions and began to manufacture and provide them in great quantities for the Entente Allies free of charge, while her markets were completely closed to the Central Powers. Up to that time we had exported to the belligerents a heavy tonnage of munitions of war, such as food, cotton, metals and manufactured articles.

While our markets were nominally open to any nation which could pay for the goods furnished, by force of circumstances the exports were chiefly to the Allies. This state of facts is shown by the statistics of our foreign trade. In the twelve months ended June 30, 1915, we exported to England, France, Italy and Russia goods valued at \$675,000,000 in excess of our shipments in the previous twelve months, while our exports to Germany, Austria-Hungary and Turkey decreased \$339,000,000. If we assume that our increased exports of \$189,000,000 to neutral states lying contiguous to Germany, say the Netherlands and the Scandinavian states, found their way entirely into Germany, even then the value of supplies reaching the Central Powers from the United States was \$150,000,000 less than in the last year before the war.

In the next fiscal year the same statistics compare as follows: Increased exports to Entente Allies, 1916 over 1914, \$1,882,000,000; decreased exports to Central Powers, 1916 under 1914, \$346,000,000; increased exports to Netherlands and Scandinavian nations, \$107,000,000.

In the next year, namely from July 1, 1916, to June 30, 1917, the statistics, compiled on the same basis, show that the exports to the Allied group amounted to \$3,125,000,000 more than in 1914; the exports to the Central group decreased \$345,000,000, while the exports to the Dutch and Scandinavian group increased \$141,000,000.

We were paid for these exports partly in gold, partly by a return of our evidences of indebtedness to European lenders, and, in part, we extended credits. As to the latter, we had been careful to know that they were amply secured. We took no chances. It is true that we asked no security against the largest of our loans—the \$500,000,000 Anglo-French loan of October, 1915—but in this case we had the joint and several obligation of two great nations whose solvency, even under great stress, no one doubted for a minute at the time the loan was made, however much some of us may have come to realize the terrible stress they were under as the months passed by.

Translating the total exports into terms of merchandise, we find that food products accounted for 18.49 per cent in 1914; 35.40 per cent in 1915; 23.93 per cent in 1916, and 20.39 per cent in 1917; crude materials for use in manufacturing amounted to 34.03 per cent in 1914, 18.79 per cent in 1915, 12.55 per cent in 1916 and 8.54 per cent in 1917; while goods manufactured or partly manufactured accounted for 47.17 per cent in 1914, 42.83 per cent in 1915, 62.17 per cent in 1916 and to 66.38 per cent in 1917. The tremendous and growing demand for manufactured goods and the important demand for food stuffs is apparent. It is also evident what an important source of supply the United States was to the combatants and that the Allied group was the one principally benefited. However, we have shown above and in previous

chapters that the American manufacturer and exporter took no chances and that the American investor in European bonds loaned only on what he regarded as excellent security.

The Break with Germany

The long controversy with Germany in regard to her methods of submarine warfare by which she strove very naturally to keep American munitions from reaching her enemies, finally culminated in the spring of 1917 and led to our government taking a definite position on the side of the Allied Powers on April 6 of that year.

The Grave Condition of Allied Finances in the Spring of 1917

By their own admission the foreign finances of the Allied Powers in the Spring of 1917 were in a bad way. Consequently they were greatly concerned as to how they would be able to continue to obtain from America and elsewhere the munitions of war vital to their success. One British authority of very high standing has gone on record as follows: "At the very moment that the United States came into the war, the British government, with commitments in the United States running into hundreds of millions of pounds, was at the end of its tether. It had no means whatever of meeting them."

Another British authority of unquestioned reliability, stated that, "though it was not at the time generally realized, the entry of the United States into the war cut Great Britain free from a network of financial difficulties, continued entanglement in which might have spelled defeat and would certainly have impaired the war strength of all the Allies. The Allies, and especially Great Britain, had been buying supplies in great and increasing quantities from the United States.

Despite the artificial stabilization of exchange, the difficulty of financing these purchases was steadily growing. It was becoming more difficult and more expensive to raise credit loans in the United States. Supplies of securities which could be used as collateral were becoming exhausted."

The Federal Reserve Board had evinced anxiety as to whether the financial community had not already been over-optimistic in financing foreign governments. We have seen on the other hand, that the financiers had demanded security for their advances. While England and France still had in reserve substantial amounts of foreign securities, they were rapidly getting down "to the bottom of the box." They could not for very long have provided the American lenders with acceptable collateral. When that time had arrived, possibly within a very short period, they would in fact "have been at the end of their tether."

The United States Joins the Allies

The 65th Congress met at noon on April 2, 1917, and the same evening the President delivered to the two houses in joint session an address in which he recommended congress to declare "the recent course of the Imperial German Government to be nothing less than war against the government and people of the United States," and that congress "formally accept the status of belligerent which has thus been thrust upon it." In the course of his address the President said, "We have no selfish ends to serve, we desire no conquest, no dominion, we seek no indemnities for ourselves, no material compensation for the sacrifices we shall freely make."

The House adopted the war resolution early in the morning of April 6 by 373 votes against 50. The resolution having already been passed by the Senate on April 4 by a vote of

82 against 6, the President signed the joint resolution on April 6 and by this act the United States and Germany were officially at war.

The first act on the part of the United States government was the seizure of all German ships in American ports. They had an aggregate tonnage of 600,000. Wireless stations were also seized or ordered to be dismantled. Recruiting for the army and navy was promptly begun.

America's financial relations with the Allies underwent an immediate change. For the last two years the Allies had been supplied with billions of dollarsworth of munitions which were paid for by means of credits arranged by American bankers. It was now decided that the United States government should loan the necessary money to the Allies and thus undertake the risk heretofore borne by the financial community.

Little did anyone realize, whether in or out of official life, what this decision was to cost. It meant that within the next three years the United States government would supply the Allied Powers with which it had now become associated, in exchange for their unsecured promises of payment at indefinite dates in the future, with munitions of war valued at over \$9,500,000,000.

Thus "the mantle of Elijah fell upon Elisha." That is to say, Mother England ceased to be the foreign banker for the Allies and her lusty descendant, the United States of America, took her place.

It is true that during the second part of the war up to the close of March 31, 1920, Great Britain lent \$4,176,000,000, but she borrowed abroad \$4,498,000,000. During the same period France lent \$2,540,000,000 but borrowed \$4,674,000,000. All the other nations, excepting Australia, Canada and New Zealand, were heavy net borrowers.

Borrowing to Lend Again

Let us now retrace our steps to the eventful days of the spring of 1917. Some one had the pre-vision to realize that the first task which the United States, as a belligerent, would have to face, would be to furnish her associates in the war with an unlimited amount of food, clothing, guns and ammunition, motors, locomotives, railway cars, cotton, copper, iron, steel, other metals, and other raw materials.

We had all these things in abundance. At least we had the labor, the raw materials, and large factories and could greatly and promptly expand our manufacturing facilities.

The seized German ships supplementing British and neutral shipping would provide over-seas transportation. All that was needed to set the machinery in motion was action on the part of the national legislature. This was quickly taken in the form of large discretionary appropriations, making the national resources available to the executive, by authorizing the executive to give credits to the Allied Powers and to raise the necessary money by increased taxation, and especially by phenomenal internal borrowing.

Now we are prepared to go to the capitol and see what is taking place in the committee rooms and in the senate and house of representatives.

That ever since the breaking off of diplomatic relations with Germany on February 3 the administration, informally at least, had been considering what must be done in case of a final break, seems to be a foregone conclusion. We know that in February the National Defense Council met in Washington and took preliminary measures, in case of hostilities, to mobilize American industries and all other resources, and that the House then passed a naval appropriation bill, the

largest in the history of the government. The bill appropriated \$368,553,000.

In the latter part of March, in a letter to his brother, Ambassador Page writing from London said, "The impression becomes stronger here every day that we shall go into the war 'with both feet'—that the people have pushed the President over in spite of his vision of the Great Peacemaker, and that, being pushed over, his idea now would be to show how he led them into a glorious war in defense of democracy. . . . I have my staff of twenty-five good men getting all sorts of war-like information. . . .

"A gift of a billion dollars to France will fix Franco-American history all right for several centuries. Push it through. Such a gift could come to this Kingdom also but for the British stupidity about the Irish for three hundred years. A big loan to Great Britain at a low rate of interest will do the work here. . . .

"My staff and I are asking everybody what the Americans can best do to help the cause along. The views are not startling but they are interesting. Jellicoe: More ships, merchant ships, any kind of ships, and take over the patrol of the American side of the Atlantic and release the British cruisers there. Balfour: Credits in the United States big enough to keep up the rate of exchange. Bonar Law: Same thing. The military men: An expeditionary force, no matter how small, for the effect of the American Flag in Europe. If one regiment marched through London and Paris and took the Flag to the front, that would be worth the winning of a battle."

On April 1, Franklin K. Lane, Secretary of the Interior in President Wilson's Cabinet, wrote to his brother:

"I took your letter and your proposed wire as to our going

into the war and sent them to the President as suggestions for his proposed message which in a couple of days will come out—what it is to be I don't know, excepting in spirit. He is to be for recognizing war and taking hold of the situation in such a fashion as will eventually lead to an Allies' victory over Germany. But he goes unwillingly. The cabinet is at last a unit. We can stand Germany's insolence and murderous policy no longer. . . . The meetings of the cabinet lately have been nothing less than councils of war. The die is cast—and yet no one has seen the message. The President hasn't shown us a line. . . . The Council of National Defense is getting ready. I yesterday proposed a resolution, which was adopted, that our contracts for ships, ammunition and supplies be made upon the basis of a three years' program. We may win in two years. If we had the nerve to raise five million men at once we could end it in six months.

“The first thing is to let Russia and France have money. The second thing, to see that Russia has munitions, of which they are short—depending largely, too largely, upon Japan. I shouldn't be surprised if we would operate the Russian railroads. And ships, ships! How we do need ships, and there are none in the world. All sides need aeroplanes—for the war that is perhaps the greatest of all needs; and there Germany is strongest. . . . This is the program as far as we have gone: Navy, to make a line across the sea and hunt submarines; Army, 1,000,000 at once, and as many more as necessary as soon as they can be got ready; Financed, by income taxes largely. Men and capital both drafted.”

In subsequent letters Mr. Lane wrote, “The great need of France at this moment is to get ships to carry the supplies across the water. It is a secret but a fact, that France has

600,000 tons of freight in New York and other harbors waiting for ships."

"On all sides they are frank in telling of their distress. We did not come in a minute too soon. England and France, I believe, were gone if we had not come in."

Congress Authorizes Credits for Allies of \$3,000,000,000

On Wednesday, April 11, 1917, Representative Kitchin of North Carolina introduced in the House of Representatives a bill authorizing a bond issue of \$5,000,000,000 from the proceeds of which issue the secretary of the treasury with the approval of the President was authorized to extend credits not to exceed \$3,000,000,000 to foreign governments. The bill was referred to the committee of ways and means, was immediately reported, and was then referred to the committee of the whole house on the state of the Union. It came up for debate in committee of the whole house on April 13 and passed the house on the 14th. The bill passed the senate on April 17, it was sent to conference on the 18th. The conference report was accepted by both houses on the 23rd and was approved by the President and became a law on the 24th.

Thus within less than two weeks time the United States congress shattered all precedents in regard to "alliances with foreign nations" and agreed to back up a military alliance with practically unlimited supplies of munitions of war.

The Debate in Congress

It will be of interest to note the course of the debate in congress and the arguments which brought almost unanimous

support for the appropriation of such a great amount for the benefit of nations across the seas.

Action of the Committee of Ways and Means: The report of the committee of ways and means contained the following statement:

“The bill authorizes the secretary of the treasury with the approval of the President to extend credits not to exceed \$3,000,000,000 to foreign governments. It authorizes the purchase with the proceeds from the sale of these bonds, by the secretary of the treasury with the approval of the President, of the obligations of foreign governments bearing the same rate of interest and containing essentially the same terms and conditions as the bonds issued under authority of this act. It provides, however, that should any of the bonds of the United States issued and used for the purchase of such foreign obligations, be converted into United States bonds bearing a rate of interest higher than $3\frac{1}{2}$ per cent, that in such an event the obligations of the foreign governments held by the United States shall be converted into obligations bearing the same rate of interest as the like bonds of the United States. It will, therefore, be observed that the \$3,000,000,000 credit proposed to be extended to foreign governments will take care of itself and will not constitute an indebtedness that will have to be met by taxation in the future.”

In introducing the bill, Mr. Kitchin, the chairman of the ways and means committee, said “This bill contains the largest authorization of bond issues ever contained in any bill presented to any legislative body in the history of the world. I am happy to report that this bill has the unanimous approval and indorsement, and has the unanimous vote of the entire membership—Republican, Democratic and Progressive—of the ways and means committee.”

The Debate in the House

One of the first objections which Mr. Kitchin had to meet was that we were buying bonds at par of nations whose obligations were selling in the market at a discount; in the case of Russia at a heavy discount.

Mr. Kitchin's reply was: "I would oppose any purchases of bonds of the allied governments if it were not going to help us more effectively to prosecute this war. That is the very object of it, and we leave it to the Executive, and to the war fighting power of our government to use the \$3,000,000,000 for the best interests of this country in order to quicken the termination of the war in which we are engaged, and if the Executive thinks that a loan to a foreign government is the best way to do it, I for one am willing to give him such authority."

Mr. Kitchin said further: "We are in this war. We ought to do everything possible to help not only the United States, but to help those who are co-operating with us in this war. We ought to help the Allies, and if their bonds have gone down to 80 or 75 or 50 per cent, all the more necessity exists for us to loan them this money at the lowest possible rate of interest, because they are helping to fight our cause." (Applause.)

Loans Limited to Allied Powers and to the Duration of the War: Representative Fitzgerald urged that the bill should be amended to limit the advances to be made by the United States to governments at war with Germany, and that the power to make such loans ought to be restricted to the duration of the war. These suggestions were recognized as good and the bill amended accordingly, but they were evaded after the armistice, for the last loans were made late in 1920, and

in order to extend aid to the starving people of Austria and to those of other former enemy powers our government made loans to Great Britain, France and Italy, which nations passed along the money or its equivalent in food and other necessities to our recent enemies.

Retiring Market Issues with United States Money: The fear was expressed in the course of the debate that money borrowed from the United States might be used to retire bond issues theretofore placed in the money markets. Mr. Kitchen conceded that there was nothing specifically to prevent this, but said that he could hardly conceive that it would be done, but he added, "If we are going to lend this money to the governments that we are co-operating with to more effectively prosecute this war, why not leave it to them to expend the proceeds in any way which their judgment tells them is the best way to achieve success in the prosecution of this war and not limit or qualify the use of that money?" (Applause.)

As a matter of fact several loans placed in the money markets prior to our entrance into the war were paid with money borrowed from Uncle Sam.

The Borrowing Governments Should Be Required to Spend the Money Borrowed in the United States: Mr. Sabath of Illinois stated that he understood that Great Britain, in making loans to her allies, had in certain instances specified that the proceeds should be expended in Great Britain. He said, "I do not see why our government can not make the same arrangements and agreements."

Mr. Kitchen replied that while he would not be in favor of qualifying or limiting the right of the borrowers to expend the money in any way they saw fit, yet the committee (ways and means) had considered what the gentleman had suggested

and were of the opinion that most of the money "will of necessity have to be expended in the United States."

Guarantees: Mr. Wood of Indiana asked whether or not, in considering this measure, the committee contemplated the advisability of providing that the redemption of these bonds purchased from any one of the foreign powers at war with Germany should be guaranteed by the other foreign powers at war with Germany.

Mr. Kitchin replied that this was not discussed, while another member added, "The fact is that if we ever get this money back at all when the war is won we shall get off cheap."

As this question has several times since been stressed, it may be well at this point to note the unqualified statement of Mr. R. C. Leffingwell, former Assistant Secretary of the Treasury, that no such guarantee was asked or given. The question is discussed in detail in the section of this chapter dealing with our debt transactions with Great Britain.

"The Allies are Fighting Our Battles:" The sentiment was freely expressed in the course of the debate in the House that as we were not prepared to fight our own battles, it was only right that we should finance our allies who were "fighting our battle along the battle fronts of Europe." Whether or not the loans were ever repaid was a minor consideration.

Said Representative Mann of Illinois: "The administration has proposed that it shall have the authority to lend three billion dollars to those nations now engaged in the war with the country upon which we have declared war. When we take the responsibility of engaging in war, we ought not to expect that it will be a mere paper war or a mere discussion. We are not prepared to place men in the field. We are not prepared to fight with our army. We are not prepared to do very much with our navy. . . . But there is one way in which we are pre-

pared to engage in the war. There is only one way in which today we can do more than make our war an academic discussion and the only way left to us is to help finance those nations who are fighting our enemy." (Applause.)

"This bill will authorize the loan to them of three billion dollars. I doubt not that before a year has passed that sum will be more than doubled; but let us hope that by financing our credit and by loaning our money we may be able thus to end the war. I think it is our highest duty in the making of war to give it to those who are fighting the enemy against whom we have declared war; and I only hope and pray that the aid thus given may be effectual enough to end the war before we send our boys to the trenches."

Mr. Moore of Pennsylvania countered: "I do not like the suggestion made by the gentleman from Illinois (Mr. Rainey) that those folks over there are fighting our battles. That expression has been used quite commonly during the last two or three weeks and it leads up to the inference that we are practically at the mercy of the belligerent nations and that the reason we propose to lend them the proceeds of our bonds is to reward them for 'fighting our battles.' My view is that the foreign governments are fighting their own battles and that we are aiding them. . . . I am not yet convinced that any one of these countries is fighting our battles in the sense now commonly expressed, or that we will not be able to fight our own. When we lend these foreign countries money, we are rendering them an assistance and they are not rendering assistance to us. . . . I would like them to understand that it is expected in due course that the obligations they may make to us will be redeemed.

Mr. Madden's reply was applauded. He said, in part, "I am sorry to disagree with my friend from Pennsylvania

(Mr. Moore). When he states that we are loaning this money to the European nations to defend their interests in the war in which we are engaged, I think he stretches the case beyond the facts. We have already declared war and we are not prepared to begin to fight the war we have declared. If we can find somebody else to fight the war for us with our money, we ought not to hesitate to grant them the credit which they want and must have. We ought to begin the war upon which we have entered today, not tomorrow. We ought not to wait until we have enlisted an army that we can send over there. It will be a year before we can do that, but if we send our money to operate the armies that are already in the field, then we shall have done the thing that the American people are looking forward to us to do as their representatives."

Our Attitude Toward France: We have already seen that Ambassador Page advocated a large gift to France, even as much as \$1,000,000,000. The same thought ran through the debate in congress both in the house and in the senate. It was perhaps most eloquently voiced by Representative Montague of Virginia. Speaking on Saturday, April 14th, he said:

"The world today beholds the agony and glory of France; civilization itself is moved by her heroic resistance to the colossal forces now battling to extinguish her republican institutions and to tear asunder the very fabric of her liberties. So I have hoped that today our great nation might, through their representatives in this hall, at least write into this bill a forbearance and remittance upon any French bonds purchased by the American government. To do more would be becoming; to do less is ignoble.

"Mr. Chairman, has our republic forgotten its weakness and its dire extremities in the days of its infancy? Let the

words of Washington recall it. Writing to his beloved friend, George Mason, on October 22, 1780, just a year before the surrender of Cornwallis, he said: 'We are without money and have been so for a great length of time; without provision of forage except what is taken by impress; without clothing; and shortly shall be (in a manner) without men. In a word, we have lived upon expedients until we can live no longer.' Again, to John Lawrence, who had just been sent to beg a loan from France, Washington wrote on September 9, 1781: 'If France delays a timely and powerful aid in the critical posture of our affairs, it will avail us nothing should she attempt it hereafter. We are at this hour suspended in the balance. . . . We can not transport the provisions from the states in which they are assessed to the army because we can not pay the teamsters who will no longer work for certificates. Our troops are approaching fast to nakedness and we have nothing to clothe them with. . . . In a word, we are at the end of our tether and now or never our deliverance must come.'

"These words were ringing in the ears of Benjamin Franklin, of Silas Deane and of John Lawrence when endeavoring to reach the hearts and the treasury of the French nation. How did that nation respond? The historic record answers to her glory and to our deliverance. . . .

"The gentleman from New York, Mr. Fitzgerald, has just intimated that there should be no discrimination as respects the allied nations. I myself would subscribe as a general principle to that statement; but I can never subscribe to a view that would prevent this nation from making discrimination in behalf of the nation that made the existence of this republic possible. (Applause.)

"Mr. Chairman, in conclusion I beg again to suggest that it is not my purpose or wish to embarrass any program. I am

willing, if reluctant, to sacrifice any personal opinion I may have as to the expediency of omitting a more direct expression of gratitude to France, hoping that at some future day, when the war is well over and the accounting of things is had, that the administrative department of our government, having in charge our foreign affairs, may write into some convention or treaty as was done by France in 1782, an ample and definite expression of the abiding gratitude of the American people of the transcendent generosity of France." (Prolonged applause.)

Mr. Graham of Pennsylvania, continuing the debate, said, "Before concluding what I have to say, I would like to call attention to what the gentleman from Virginia, Mr. Montague, advocated in such eloquent terms—our relations to France. I cordially agree with the thought and wish it were practicable to put an amendment in this bill so that we might at this time, when the situation is so exactly analagous to what it was in the Revolutionary period, say to France, 'We will make you a loan, the interest upon that loan shall be remitted, and that loan itself shall be payable at your pleasure.' True, France was fighting England in those days; but we are fighting Germany. True, she loaned us money without interest. She gave us men, she gave us the immortal Lafayette to help Washington in the dark hours of the American revolution, and it would be but a small thing for us now to show that the old remark is without truth, that 'republics are ungrateful'; to show to the world that America with her higher ideals is prepared to set a new standard of action among the nations of the earth."

Mr. Switzer of Ohio added, "I have no patience with those who think that we may, by making these loans, lose some money. I agree with what was said by the representative from

Virginia, Mr. Saunders, yesterday. We must take a chance if we raise and equip a large army and meet the Germans on the field of conquest. We must also take a chance if we now loan our money. We must expect reverses if we equip an army to go across the water to Europe—and we would certainly expect reverses as well as victory, though we trust in ultimate victory in the end—and so it is with our money. It may be that some of these countries to which we send our credit may make no effective use of it and that money may be lost, but we must take that chance and abide by the decree of war.” (Applause.)

The bill passed the house unanimously with 389 affirmative votes. There were no negative votes, but there were 41 members absent who their colleagues stated would have voted for the bill if present. One member abstained from voting.

The Debate in the Senate

The debate in the senate followed very much on the same lines as did the debate in the house. “The Allies were fighting our battles and would have to do so for some months on account of our utter unpreparedness for war.” “There was little else that we could do to help our allies than to lend them money.”

Said Senator Simmons of North Carolina: “We have not the men to send over there at present to help fight our battles; our navy possibly can be of but very little use in its present condition. It will be long weary months of waiting before we shall be able to render much assistance to our allies in the field. The help this bill offers is an earnest and a guarantee, and offers assurance of greater assistance in the future. . . .”

Senator McCumber of North Dakota endorsed this point

of view, saying, "While we are recognizing that we are putting \$7,000,000,000 into this battle, we must not fail to recognize that we are not as yet putting in a single one of our American soldiers, while blood is being poured out by our allies in unstinted measure. Even during the winter months of February and March the reports from the British side in France showed an average loss of between 135,000 and 145,000 soldiers every month. That was on the British side alone. The French losses were probably nearly as great. It is probably true that more than a quarter of a million men are going down to death or are being wounded or captured every month during this conflict. Therefore, while they are suffering to that extent, we ought to be mighty liberal in the expenditure of money when we can take no part in the real battle which today is the battle of the American people."

Senator Kenyon of Iowa said, "Mr. President, I shall vote for this bill without any apology. . . . I have heard some things said here today concerning these loans and whether or not they will ever be paid. I want to say this for myself, Mr. President, that I hope one of these loans, if we make it, will never be paid and that we will never ask that it be paid. We owe more to the Republic of France for what it has done for us than we can ever repay. France came to us with money, with a part of her army and navy in the hour of our sore distress. And without the aid of France it is doubtful if we would have had this nation of ours. . . . I never want to see this government ask France to return the loan which we may make to them. . . . To the boys in the trenches fighting what is now our battle, this is a message of cheer, but the greatest message it carries is to bleeding, wounded and stricken France, with its cities burned, its fields destroyed and fertile lands made a wilderness; rows upon rows of new made graves; over

a million men gone, another million injured and wounded, her treasure nearly spent. It carries to France this message: 'When we were a young republic in a family of nations struggling along, hardly able to walk, you reached out and took our hand and helped us. Now we are the powerful one in that same family of nations and the big brother of democracy says to you that it is willing to give of its treasure and of its men enough to save you from the onslaught of the mad dog of Autocracy.' That thought cheers me for voting for this measure, regardless of the stupendous amount involved. We show to the world that republics are not ungrateful and to France that the great American republic does not forget."

It is not necessary to make other quotations. The sentiment which actuated the vote of 84 yeas to nays 0 has been sufficiently made evident. On behalf of 12 members absent because of illness or pressing duties elsewhere, statements were made by their colleagues that, if present, they would have voted "aye."

Subsequent Foreign Credit Legislation

In September, 1917, congress increased the appropriation for loans to foreign governments "then engaged in war with the enemies of the United States" by \$4,000,000,000, bringing the total authorization for such loans up to \$7,000,000,000. The act provided that the authority given to the secretary of the treasury should cease upon "the termination of the war between the United States and the Imperial German government."

In April, 1918, the authorization for loans to foreign governments was again raised, this time to \$8,500,000,000. In July, 1918, the appropriation was raised to \$10,000,000,000,

the maximum amount of loans to foreign governments authorized under the Liberty Loan acts

By the terms of the Victory Liberty Loan act which became a law on March 3, 1918, the secretary of the treasury was authorized until the expiration of eighteen months after the termination of the war between the United States and the German government, as fixed by proclamation of the President, to make advances in addition to those authorized in the several Liberty Loan acts "for the purpose only of providing for purchases of any property owned directly or indirectly by the United States, not needed by the United States, or of any wheat the price of which has been or may be guaranteed by the United States."

No advances were made under this authority, but in the appropriation acts of 1918, for the support of the army and of the navy for the fiscal year ending June 30, 1919, authorization was granted for the sale, under such terms as were deemed expedient, of property acquired during the war.

In the previous February the American Relief Administration was authorized to furnish supplies on a credit basis to the stricken nations of Europe.

Finally on March 20, 1920, the United States Grain Corporation was authorized to dispose of its surplus stocks to foreign governments on a credit basis. These various arrangements and the loans made in pursuance thereof will be discussed in the course of our narrative.

Making the Loans

England and France were overjoyed that we had come to their aid. They immediately raised the Stars and Stripes over their legislative halls and appointed commissions composed of certain of their leading statesmen to go to America and

make plans for effective co-operation. The Italians also sent to Washington a commission composed of men of high standing.

The British and French commissions arrived first, on April 22 and 24 respectively. The Italians came about a month later. A commission from Russia reached Washington on June 19 and one from Japan in August.

The English mission was headed by Arthur J. Balfour, Foreign Minister and former Premier. Among his associates and advisors was Lord Cunliffe, Governor of the Bank of England. The leader of the French mission was M. Viviani, Minister of Justice and former President of the Council of Ministers, who had as associate and adviser on financial questions M. Simon, Inspector of Finance.

The method of handling the financial co-operation between the United States and her associates worked out by Secretary of the Treasury McAdoo in consultation with the financial members of the commissions was as follows:

Credits were to be established from time to time at the United States treasury against which the authorized representatives of the borrowing nations would be permitted to draw from time to time as money was required to meet payments. The uses for which the moneys were advanced by the United States were to be approved by the secretary of the treasury and the borrowers were obligated to furnish statements showing for what purposes disbursements were made.

The First Loans

The first advance was made to Great Britain on April 25, three days after the British commissioner arrived at Washington. It was for \$200,000,000. This was followed on May 3 by an advance of \$25,000,000 to Italy, on the 5th

and 7th of May by two additional advances of \$25,000,000 each to Great Britain, and on the 8th of May by an advance of \$50,000,000 to France.

Altogether, up to December 31, 1917, credits had been established for different countries aggregating \$4,236,400,000, and advances had been made for the net amount of \$3,656,129,000. The advances were made chiefly to Great Britain and to France, \$1,860,000,000 to the former and \$1,130,000,000 to the latter. Italy received \$400,000,000, Russia \$187,729,000, Belgium \$75,400,000, and Serbia \$3,000,000. In 1918, prior to the armistice, further advances were made aggregating \$3,640,000,000, or just about the same amount as had been advanced during the nine months of 1917. From the 1st of December, 1918, until the signing of the peace treaty, on June 28, 1919, \$1,798,675,000 additional was advanced. After that date there were some further small advances aggregating \$371,568,000.

It will be noted that in 1917 the advances were at the rate of \$457,000,000 a month, whereas in 1918 up to December 1, they averaged only \$364,000,000 a month. The advances during 1918 were therefore more than \$90,000,000 a month less than they were in 1917. This was not because our allies required less in the way of supplies, but it was due to the fact that as time went on a larger part of the productive capacity of our factories had to be given over to the manufacturing of munitions of war for our own army. Therefore we were not able to do as much in this way for our associates.

One result of the United States government becoming banker for our associates was that it was no longer necessary for the latter to obtain loans in the open market and in fact some loans which had previously been obtained were paid off out of proceeds of moneys borrowed from the government.

The Loan Policy Officially Defended

In an official bulletin issued in the latter part of 1917 by the United States treasury department, reasons were given to the public for the making of these great loans to our associates. It was stated that the loans were essential to our protection, not alone in a military way, but for our economic protection and welfare. It was also stated that we were producing more goods than were needed for our own uses and that our own economic protection and welfare demanded that we should sell much of our production to our allies. The attention of the public was called to the fact that the commercial salvation of our allies was an essential part of their effectiveness in the war and that their commercial welfare demanded that their export trade be maintained in a suitable measure; therefore that it was sound economic policy on our part to assist them in maintaining their industrial life and commercial welfare.

It was stated that very little of the money loaned went out of the United States; that most of it was spent in our own country for war materials and food stuffs. The fact was stressed that the money which we were advancing was not a contribution but a loan, upon which the borrowers would pay interest and which ultimately would be repaid in full. The fact was also emphasized that our allies were looked upon by us as solvent people without ready money but with perfectly good credit. The public was further advised that the expenditures of our allies in this country were supervised by us, purchases being made with the advice and assistance of our War Industries Board; that thus the Allies obtained the same prices and same terms as our government demanded in making its own purchases.

In conclusion, it was stated that the loans made to our allies enabled them to do the fighting which otherwise the American army would have had to do at much expense not only of men but of money—money which would not be returned to us and lives that never could be restored. It was therefore claimed, that we were not only performing a duty to our associates in lending them a part of our great wealth but that we were also performing a duty to our soldiers and sailors and our own nation in making our allies powerful and effective, “thus lessening the work and danger and suffering for our own men in bringing the war to an earlier close.”

Supervision of Purchases

Referring to the paragraph in the foregoing statement which called attention to the fact that purchases were being made under the supervision of the War Industries Board, one of the important results of the visit of the English and French commissions to the United States in April and May of 1917 was the understanding arrived at in regard to matters of trade and the purchasing of supplies.

It was decided that the United States should give the Allies preferential treatment in commerce. With a view to defeating the German submarine campaign, it was agreed that all shipping, so far as possible, should be devoted to merchandise transportation. A detailed program was adopted in regard to shipping so that the commodities which were most needed would have priority in shipments. A definite understanding was reached to cover both American and Canadian wheat for sale to the Allied Wheat Executive Committee, and arrangements were made for full Canadian co-operation through a proposed food administration bureau.

Munitions control and purchase were similarly centralized

through an allied buying committee, although without price control. The Council of National Defence charged itself with some increasing manufacture so as to provide for the American war army without cutting off exports vitally needed abroad.

In the Report of the Secretary of the Treasury to Congress in December, 1917, the statement is made that in arranging the loans for the associated governments the judgment of the secretary was determined largely by what was represented to him as actual necessities for the purchase of supplies and materials and other requirements for carrying on the war. It is stated that in conducting these financial relations with allied governments, every possible effort was made to obtain the maximum results from the credits established. To this end, in August, 1917, formal arrangements were entered into by the secretary of the treasury with the approval of the President on behalf of the United States and by representatives of the allied governments for the creation of a commission with headquarters at Washington, through which all purchases made by those governments in the United States should proceed. This commission was composed of Bernard M. Baruch, Robert S. Lovett, and Robert S. Brookings. These men were also members of the War Industries Board of the Council of National Defence and by reason of this relation were able to co-ordinate the purchases of the United States government with the purchases of the Allied Powers.

In the report for the following year it is stated that valuable information as to the needs of the governments of the Allies for war purposes, their urgency, and the necessity of meeting them from advances by the United States had been furnished from Europe by the Inter-Ally Council on War Purchases and Finance, and by its president, Mr. Oscar T. Crosby, formerly an assistant secretary of the treasury and

then Special Finance Commissioner of the United States in Europe.

The great responsibility which devolved upon the War Industries Board and their European associates may be realized when the fact is appreciated that the expenditures made on behalf of foreign governments totaled \$10,296,000,000. According to statements furnished by the allied governments to the United States treasury department, the total expenditures were made for the following purposes:

EXPENDITURES OF THE ALLIED NATIONS
IN THE UNITED STATES
(In "Currency" dollars)

Munitions, including remounts . . .	\$2,493,610,324.76
Munitions for other governments . .	205,495,801.10
Exchange and cotton purchases . . .	2,644,783,870.07
Cereals	1,422,476,706.14
Other foods	1,629,726,802.57
Tobacco	145,100,821.27
Other supplies	613,107,428.61
Transportation	136,083,774.95
Shipping	173,397,083.77
Interest	730,504,176.91
Maturities	648,246,316.94
Relief	538,188,329.89
Silver	267,943,388.81
Food for Northern Russia	7,029,965.94
Purchases from Neutrals	18,718,579.42
Special credit against credits to be established for United States Government war purchases in Italy . . .	25,000,000.00
Miscellaneous	168,530,575.56
	\$11,867,943,946.71

These expenditures exceeded the net advances of \$9,466,-283,000 made by the United States up to November 1, 1920, by \$2,401,661,000. This difference apparently was provided by other resources of the purchasing governments. The statements published by the United States treasury department do not make the facts entirely clear and on the other hand the foreign governments have not made any statements for public use other than those made to the United States treasury department.

Interest Arrangements

In the Annual Report of the Secretary of the Treasury of the United States for 1917, it is stated that the obligations of foreign governments which had been purchased under the terms of the Liberty Loan acts were in the form of short-term or demand certificates of indebtedness signed by the duly authorized representatives of the respective governments receiving advances of funds and that these obligations under their terms shortly would be converted, at par, with an adjustment of accrued interest, into an equal par amount of gold bonds of the governments concerned. Interest on these demand obligations was first placed at 3 per cent per annum, and shortly thereafter increased to $3\frac{1}{4}$ per cent per annum, these rates being established to conform to the rates paid by the government of the United States on its short-term certificates of indebtedness issued under authority of the act of April 24, 1917, in anticipation of receipts from the sale of the bonds of the first Liberty Loan. Subsequently, and coincident with the sale of these bonds, the rate was raised to $3\frac{1}{2}$ per cent. per annum, thus conforming with the rate carried by the bonds.

For obligations purchased after the approval of the act of September 24, 1917, the rate was placed at $4\frac{1}{4}$ per cent

per annum. By the terms of this act the normal rate of interest to be borne by the obligations of the United States issued thereunder could not exceed 4 per cent per annum. At the same time it rendered the bonds thus issuable exempt from certain classifications of taxes, thereby substantially increasing the cost to the government of the money received from the sale of its obligations by diminishing the amount which it might in turn take from its citizens in taxes. The rate of interest to be charged on the loans to foreign governments under the terms of the act was not definitely fixed, but was left in the discretion of the secretary of the treasury, though a minimum was fixed. In the exercise of that discretion it was determined to fix the rate at $4\frac{1}{4}$ per cent per annum, the additional one-quarter per cent being charged to compensate in part at least the loss to the government due to the tax-exemption features on its own obligations above referred to and the cost incurred by the United States of issuing its own bonds. It was stated that this rate in turn would be further increased in case there should be higher rates of interest paid by the United States during the continuance of the war for the moneys that it might invest in the purchase of foreign obligations. Thereafter interest was charged at the rate of $4\frac{1}{4}$ per cent per annum.

In his report for 1919, the secretary of the treasury said, "All interest which has become due on the obligations of foreign governments held by the United States has been paid in cash with a relatively unimportant exception pending adjustment. To the extent that such interest has not been paid from other resources of the foreign governments concerned it has been paid from the proceeds of loans made by the United States government. With the termination of the war and the rapidly approaching exhaustion of the appropriation,

it was considered necessary and appropriate for the secretary of the treasury, as contemplated by the Liberty Bond acts, to take up with the foreign governments the funding of the demand obligations now held by the United States into long-time obligations and the funding during the reconstruction period, say for two or three years, of interest on the obligations. In view of the present derangement of the foreign exchanges it would add to the difficulties of the situation and would not be to the advantage of the United States to require cash payment of interest."

The total amount of interest received on account of cash advances under the Liberty Loan acts up to May 15, 1919, was \$429,658,000. From that date until November 15, 1922, payments of interest were deferred in pursuance of an arrangement made by Secretary Glass in the early autumn of 1919.

At this time the treasury informed the treasuries of the European governments to which it had made advances that it was prepared, in case they so desired, to discuss with them the exchange of their demand notes held by the United States for their long-term obligations, and in that connection the deferring of interest collections during the reconstruction period of two or three years from the spring of 1919. Public announcement of the position of the treasury was made on September 26, 1919, while under date of December 18, 1919, Secretary Glass addressed a letter to Mr. Fordney, Chairman of the Committee on Ways and Means, calling attention to the fact that on account of the derangement in the foreign exchanges following the discontinuance of the "pegging" operations in effect during the war, "an impenetrable barrier exists which makes it impracticable for these governments to pay in dollars the amount of interest due from them to the United States."

After stating why this was so, he concluded, "My advisers are firmly of the opinion that in connection with and as a part of a general funding of the demand obligations into time obligations I am duly authorized under the Liberty Loan acts to spread over subsequent years the interest which would accrue during the reconstruction period of, say, two or three years, and to include such amounts in the time obligations. If, however, the ways and means committee of the house, which shared with the secretary of the treasury the initial responsibility for the Liberty Loan acts, should question my power so to act, I shall be pleased to have you so inform me at once, in order that I may lay before your committee a proposal for further enabling legislation."

The Committee on Ways and Means replied that there was in its opinion no legislative bar to the procedure proposed.

In the finance report for 1920, Secretary Houston made the following statement:

"Negotiations looking to the exchange and, in that connection, the deferring of interest collection were undertaken in Washington. They were continued in Europe in the fall of 1919 and the spring of 1920 by Albert Rathbone, then Assistant Secretary of the Treasury, and will be concluded in Washington. I trust that they will be completed in the near future. Such an arrangement will involve no present burden to the debtor nations and would do much in fact to clear the atmosphere and to improve European credits. The foreign exchanges are now at a greater discount than they were at the time of the treasury's original statement. It would add to the difficulties of the situation and would not be to the advantage of the United States at this time to require cash payment of interest from the debtor European governments."

Nothing came of these funding negotiations but interest

payments have not been resumed even yet, at the close of 1923, on the loans made under the terms of the Liberty Loan acts, except by Great Britain which nation promptly resumed payments at the close of the three years moratorium established by Secretary Glass.

Exceptions to this statement should be made in the case of Cuba, which made regular cash payments, until paying off her loan in full, and in the case of Greece which paid in cash up to November 15, 1921. Certain sums credited to Russia were received from funds realized by the Russian representatives of this country in connection with the liquidation of their fiscal operations.

On November 15, 1923, the interest account for advances made under the Liberty Loan acts stood as follows:

INTEREST ACCOUNT TO NOVEMBER 15, 1923, ON OBLIGATIONS OF FOREIGN GOVERNMENTS RECEIVED BY THE UNITED STATES UNDER THE TERMS OF LIBERTY LOAN ACTS

(In "Currency" dollars—ooo omitted)

Country	Interest Accrued	Interest Paid	Interest Due
Belgium	\$88,341	\$10,907	\$77,434
Cuba	2,287	2,287	.....
Czechoslovakia	13,539	304	13,235
France	779,622	129,571	650,051
Great Britain	883,078	883,078	.....
Greece	2,659	1,159	1,500
Italy	424,681	57,599	367,082
Liberia	6	1	5
Rumania	5,349	263	5,086
Russia	56,086	7,526	48,560
Yugoslavia	6,554	636	5,918
	2,262,202	1,093,331	1,168,871

The interest accrued, paid and still due up to November 15, 1923, upon advances made to foreign governments on account of obligations received from them in connection with other loan operations, were as follows:

INTEREST ACCOUNT MISCELLANEOUS LOANS BY
UNITED STATES TO FOREIGN GOVERNMENTS
TO NOVEMBER 15, 1923

(In "Currency" dollars—ooo omitted)

Obligations	Interest Accrued	Interest Paid	Interest Due
Account Sales of Surplus War Materials .	95,7	68,8	26,9
Account Relief Supplies Furnished . . .	16,2	0,5	15,7
Account Grain Corporation (Sales of Flour, ...)	10,0	.....	10,0
	121,9	69,3	52,6

Post Armistice Loans

It will be remembered that under the terms of the Liberty Loan acts the secretary of the treasury was permitted to make loans only to foreign governments "engaged in war with the enemies of the United States," and that the authority to purchase bonds from such foreign governments was to "cease upon the termination of the war between the United States and the Imperial German Government."

Section 13 of the Second Liberty Bond Act states "that for the purpose of this act the date of the termination of the war between the United States and the Imperial German Government shall be fixed by proclamation of the President of the United States." President Harding set this date by proclamation issued November 14, 1921, as July 2, 1921.

In his annual report for 1918 laid before congress December 2 of that year, Secretary McAdoo stated that on

November 15, 1918, (the date of the armistice, it will be remembered, was November 11) there remained an available authorization for the establishment of credits in favor of foreign governments under the terms of the Liberty Loan acts, amounting to \$1,828,000,000. In this connection he said:

“It is important that our foreign loans be discontinued as soon as may be, having due regard to the conditions of our industries and the essential needs of the foreign governments; in the meantime they should be held down to a minimum. Nevertheless, until certain of the allied countries can resume their normal activities the United States should be prepared to sell them on credit, even after the declaration of peace, foodstuffs, raw materials, and manufactured products of which they may be in need. I shall recommend the enactment of legislation extending the authority to establish credits in favor of foreign governments for a reasonable period and within reasonable limits to meet needs growing out of the war.”

In the finance report for 1919, Secretary Glass stated that, since the last report, credits had been established in favor of Belgium, the Czecho-Slovak Republic, France, Great Britain, Greece, Italy, Rumania, and Serbia, and that advances had been made to these countries and also to Cuba and Liberia under credits previously established. No credits were established in favor of Russia during the year, nor were any advances made to that country, and the balance of credits which had previously been established above the amount of the cash actually advanced was withdrawn. In certain instances, in which the purpose was accomplished for which a credit had been established, or an advance had been made, without requiring the total amount of the credit or the ad-

vance, the balance of credit was withdrawn or the unused portion of the advance was repaid. Certain other repayments were made in connection with the routine of the accounts. He stated that none of the repayments constituted part of a general program of repayment by any foreign government. Secretary Glass summarized the facts as follows: the total appropriation provided by congress for loans to foreign governments was \$10,000,000,000; from April 24, 1917, up to November 15, 1919, the credits established, after deducting credits which had been withdrawn and the cash advances, were as follows:

Credits established	\$9,647,419,000
Cash advanced	9,416,372,000
Other charges against credits	158,237,000
Balances under established credits	72,811,000

In the finance report for 1920, dated November 20, Secretary Houston stated that no further credits would be extended under then existing legislation and consequently that no further advances would be made to governments in favor of which there were no existing balances, and that all balances of credits in excess of the amount necessary to carry out the commitments would be withdrawn.

The last advance was for \$10,000,000 made to France on September 28, 1920. The total net advances under the Liberty Loan acts to that date were \$9,466,000,000. Of this amount \$2,170,000,000 was advanced after Armistice Day.

These post-armistice advances have been severely criticized as not coming within the terms of the authorizing acts which limited the loans to be made thereunder to foreign governments "then engaged in war with the enemies of the United States." Although the war technically was not ended by proclamation of the President until July 2, 1921, yet as

active hostilities had ceased, these critics, claim that the government exceeded its powers in making them. The government also is criticized for having allowed supplies bought with Liberty Loan money to find their way into enemy countries for relief purposes and otherwise.

It is unquestionably a fact that millions of dollars worth of products purchased with United States money loaned to foreign governments were sent directly to Germany with our sanction, and that \$48,000,000 of relief supplies were sent to Austria indirectly by making loans to Great Britain, France and Italy, which those nations in turn used to aid Austria. It is also true that large quantities of supplies for relief of other distressed peoples were bought with Liberty Loan money, while millions of dollars were lent to Great Britain after hostilities had ceased to enable her to build up her export trade.

There is no question in regard to these facts, and also in regard to the fact that considerable loans were made to the newer countries to help them get on their feet.

As we have seen, immediately following the armistice, both Secretary McAdoo and his successor Secretary Glass, sought congressional authority to extend the field of loan operations. However, all that congress was willing to do at that time was to grant authority to take the obligations of foreign governments in payment for surplus war supplies. The administration then seems to have felt that the "end justified the means" and to maintain our prestige pending the peace treaty negotiations and especially in order to prevent a lapse of the conquered nations into a state of revolution and anarchy, because of a lack of food, determined to go ahead and make the necessary further advances. It is also a fact that the food administration was loaded up with supplies of meat and

cereals for which it was essential to find a market outside of our own country, in order to prevent the necessity of throwing upon our home markets tremendous quantities of food with a consequent crisis in the markets for such products. This was in line with the policy of scrapping thousands of automobiles and motor trucks owned by the government in order not to bring the automobile industry into ruin.

The taking of the obligations of foreign governments in payment for surplus war materials sold them was specifically permitted by an act of congress approved July 9, 1918.

This is also true of the obligations received by the American Relief Administration, the taking of which was permitted by the act of February 25, 1919. These loans which with unpaid interest on November 15, 1923, amounted to just under \$100,000,000, are a mere bagatelle compared to the post-armistice loans for cereals, other foods, and relief made out of Liberty Loan money, which aggregated over \$1,000,000,000.

The question of these relief loans is treated more in detail in a subsequent chapter.

Was the Loan Policy Justified?

Unquestionably, yes. Without our aid thus given the Allies simply could not have successfully prosecuted the war. Secretary Glass in his report for 1919 tersely sums up the facts. We can do no better than to conclude this chapter by quoting his remarks verbatim:

"It is difficult to exaggerate the great purposes served and the great results accomplished by these advances to foreign governments. In the most critical stages of the war they immeasurably assisted America's gallant associates in obtaining the munitions, supplies, and equipment that were so imperatively needed to meet the enemy's offensives or to

carry the fighting into his territory, and probably of equal importance was the fact that they served to hearten the allied armies and peoples by the knowledge that the vast credit resources of the United States were being shared with them for the effective prosecution of a common cause. Conversely, it is not difficult to estimate the disheartening effect that these loans of billions and the willingness of America to lend for the prosecution of the war as much more as was needed to the limit of her ability must have had upon the spirit and morale of the peoples and armies of the enemy.

“In the beginning, before the creation of our great army, the principal assistance of America was necessarily through foreign loans, and it was then that these advances proved so very potent in contributing to the final victory. Loans to Russia in 1917 kept that great nation in the war and held the German troops upon the eastern front for six precious months. Similarly in each grave crisis, whether on the Italian front or on the battle fields of France or Belgium, the loans from the United States gave the Allies the means of replenishing supplies and equipment, and inspired their fighting forces and the peoples behind them with renewed hope and confidence and with strengthened determination in the face of an advancing foe. The service of these loans in assisting to hold the battle fronts of Europe until the might of our heroic army could be felt effectively, made possible, beyond the shadow of a doubt, the ending of the war in the fall of 1918. Without this aid to the allied governments, the war unquestionably would have been prolonged, if not lost, with the resultant great additional cost in life and treasure.”

The status on November 15, 1923, of the loans made by the United States government to foreign governments as officially given is printed on page 188.

OBLIGATIONS OF FOREIGN GOVERNMENTS HELD BY THE UNITED STATES TREASURY
ON NOVEMBER 15, 1923
(In "Currency" dollars—000 omitted)

Country	UNDER LIBERTY BOND ACTS		ACCOUNT OF SALES OF SURPLUS WAR MATERIAL		ACCOUNT OF RE-LIEF SUPPLIES FURNISHED		ACCOUNT OF RE-SALES OF FLOUR		TOTAL		Total Indebtedness
	Principal	Interest (including Interest due Nov. 15, 1923)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
Armenia	.....	.....	.....	.....	\$8,028	\$1,605	\$3,932	\$608	\$11,960	\$2,303	\$14,263
Austria	.....	.....	.....	.....	.....	.....	24,056	4,330	24,056	4,330	28,386
Belgium	\$347,211	\$77,433	\$29,819	a & b	.....	.....	377,030	.....	377,030	77,433	454,463
Czechoslovakia	61,974	13,235	20,604	\$3,988	6,428	1,286	.....	517	91,880	19,026	110,906
Estonia	.....	.....	12,213	2,443	1,786	347	.....	.....	13,999	2,790	16,789
Finland	.....	.....	.....	.....	8,282	718	.....	.....	8,282	718	9,000
France	2,933,265	650,051	407,341	b	.....	.....	3,340,607	650,051	3,340,607	650,051	3,990,658
Great Britain	4,600,000	.....	.....	.....	.....	.....	4,600,000	.....	4,600,000	.....	4,600,000
Greece	15,000	1,500	.....	.....	.....	.....	15,000	1,500	15,000	1,500	16,500
Hungary	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Italy	1,647,997	367,082	.....	.....	.....	.....	1,686	303	1,686	303	1,989
Latvia	.....	.....	2,522	378	2,610	522	1,647,997	367,082	1,647,997	367,082	2,015,079
Liberia	26	5	.....	.....	.....	.....	5,132	900	5,132	900	6,032
Lithuania	.....	.....	4,159	832	822	164	26	5	4,982	996	5,978
Nicaragua	.....	.....	176	a	.....	.....	176	a	176	.....	176
Poland	.....	.....	79,947	12,044	51,672	10,334	155,931	26,540	155,931	26,540	182,471
Roumania	23,206	5,086	12,923	2,585	.....	.....	36,128	7,671	36,128	7,671	43,799
Russia	187,730	48,560	406	30	4,466	712	192,601	49,302	192,601	49,302	241,903
Yugoslavia	26,000	5,918	24,978	4,631	.....	.....	51,038	10,549	51,038	10,549	61,587
Total	9,842,469	1,168,871	595,088	26,931	84,094	15,688	10,578,509	1,221,500	10,578,509	1,221,500	11,800,010

^aNo interest due on Nicaraguan notes until maturity, as is also the case of certain Belgian obligations aggregating \$2,284,151.40.

^bInterest has been paid as it became due.

^cAgreement providing for refunding of these obligations as to both principal and interest executed, subject to approval of Congress, on May 1, 1923. Bonds of Finland amounting to \$9,000,000 will be delivered to the Treasury in exchange for the obligations now held if the agreement is approved.

^dRefunding bonds received under terms of agreement concluded pursuant to the Act of Congress, approved February 9, 1922, as amended by Act of Congress, approved February 28, 1923.

Omission of three ciphers accounts for the fact that the items do not exactly add to totals.

CHAPTER X

Great Britain as Borrower and Lender

1917-1920

AS we have already seen, the first allied commission to arrive in the United States after our declaration of belligerency was that from Great Britain. The financial members of this commission were Mr. (now Earl) Balfour, Lord Cunliffe, Governor of the Bank of England, and Sir Hardman Lever, Financial Secretary of the British Treasury.

A contemporary record states that "the most important tangible accomplishment of this mission was the arrangement whereby the United States promised to lend a certain sum to Great Britain each month for expenditure in the United States."

As a matter of fact the place of expenditure was not prescribed, although as a practical matter, most of the credits and a considerable sum in excess were expended on our side of the Atlantic.

The official statement on page 190 gives the facts.

It will be noted that the net expenditures exceeded the net advances by \$638,000,000. This amount includes any payments for services rendered by Great Britain to the United States, such, for instance, as for the transportation or victualing of troops, which the United States made in dollars in America. It also includes such sums as the British government had in America from its own resources, arising from interest on American securities or sales of such securities which it owned, shipments of gold and other exports to America.

In this connection it is of interest to note the remarks of

GREAT BRITAIN

ADVANCES MADE BY THE UNITED STATES GOVERNMENT AND
EXPENDITURES REPORTED BY GREAT BRITAIN FOR THE
PERIODS GIVEN BELOW

(In "Currency" dollars—00,000 omitted)

	Total April, '17 to Nov., '20	1917 April 6 to Dec. 31	1918 Jan. 1 to June 30	1918 July 1 to Nov. 30	1918-19 Dec. 1 to June 30	1919-20 July 1 to Nov. 1
ADVANCED	4,277,0	1,860,0	1,215,0	721,0	481,0	.....
Refunded	80,2	.....	.....	.....	.....	80,2
NET ADVANCED	4,196,8	1,860,0	1,215,0	721,0	481,0	80,2
EXPENDITURES						
Munitions	1,330,6	570,0	292,1	317,4	151,1	.....
Munitions (for other Gov- ernments)	205,5	194,8	8,3	9	1,5	.....
Exchange and Cotton	1,682,4	1,274,6	272,7	23,4	111,6	.....
Cereals	1,375,4	361,9	385,5	467,1	160,8	.....
Other Foods	1,169,2	154,6	404,8	319,0	290,7	.....
Tobacco	99,2	.....	7,4	56,2	35,6	.....
Other Supplies	215,3	21,2	60,7	83,7	49,8	.....
Shipping	48,9	48,7	1	1	.....	.....
Reimbursements	19,3	.....	.....	.....	.....	19,3
Interest	387,7	80,1	75,9	114,0	115,5	2,2
Maturities	353,5	15,9	91,9	199,1	46,5	.....
Relief	16,0	.....	.....	.....	12,3	3,7
Silver	261,6	.....	60,7	72,1	128,8	.....
Food, Northern Russia	7,0	.....	.....	7,0	.....	.....
Miscellaneous	47,8	4,9	5,2	19,3	18,4	.....
TOTAL REPORTED						
EXPENDITURES	7,219,4	2,726,8	1,665,4	1,679,3	1,122,8	25,2
Less Reimbursements from U. S. Credits to other Governments	1,853,6	513,1	295,0	656,3	359,0	30,2
Dollar payments by U. S. for foreign currencies	449,5	.....	46,3	76,4	158,8	168,1
Proceeds of rupee credits and gold from India	81,4	3,4	30,5	33,9	13,6	.....
NET EXPENDITURES	4,834,9	2,210,3	1,293,6	912,7	591,4	6173,1

a Repayments in excess of cash advanced.

b Receipts in excess of expenditures.

c On account of five ciphers omitted
last digits do not exactly add.

Secretary of the Treasury D. F. Houston in his Annual Report to Congress, dated November 20, 1920. He stated in substance that the reported expenditures of foreign governments did not represent their total disbursements in the United States. He explained that under the designation of

exchange were included many transactions which normally would have been settled with the importation of gold or the sale of exchange, except in so far as they might have been capitalized through the purchase of American securities held abroad or of securities of foreign governments held in the United States, or adjusted by transferred bank balances or otherwise. We are advised that in the early stages of the war all commodity purchases by Great Britain were thus merged in exchange, except the purchases of munitions and sugar, and that therefore the exchange item in the statement of expenditures reflected purchases of wheat, food, cotton, leather, oil under government control, and all transactions of individual buyers in the United States, and that the amounts shown under specific headings include only purchases bought under government control after centralized purchases and finance were established.

The secretary explained that the amount expended by France for exchange was of a less complex character than the disbursements shown under the same heading for Great Britain. He stated that after March, 1917, imports into France were in general prohibited until after the armistice. In some cases, however, he said imports from the United States were authorized and that in such cases the Bank of France undertook to provide funds sufficient to pay for them. Prior to November 30, 1918, the dollar funds provided by the Bank of France constituted the major part of French exchange payments.

Under this heading also were included certain sums expended in New York in purchasing drafts on Paris or in making payments for cotton. Some purchases on French account were paid for by draft on London, this being particularly true in the earlier part of the period. The purchases of these drafts

were included in the British item of expenditure and the amount of transactions as estimated from time to time for the French and British governments forms part of the reimbursements by the French to the British. The observation is made that it will be apparent that completely to analyze the total purchases of exchange is impossible. It is stated that it was consistently the aim of the treasury department to have whole classes of transactions, such as the buying of wheat and food, taken out of the general exchange market so far as possible, to be provided for by direct payments, and to determine, as completely as possible, the character of the remaining exchange transactions.

In regard to the item of reimbursements, the statement is further made that under this head are included expenditures consisting principally of payments by France and Italy to Great Britain for cereals, sugar, meats and munitions and for neutral freights and other disbursements made to neutrals, and of payments by Belgium to Great Britain for horses, gasoline, oats, flour and certain relief supplies furnished by Great Britain out of supplies obtained actually or constructively from the United States.

The Initial Loan from the United States

The first advance made by the United States to Great Britain was for \$200,000,000. This was the first loan ever made by the United States government to a foreign government.

This transaction is thus described in a contemporary news item. "A loan of \$200,000,000 by the United States to the United Kingdom of Great Britain and Ireland was consummated on April 25 with the handing over to Lord Cunliffe, Governor of the Bank of England, by William G. McAdoo,

Secretary of the Treasury, of a treasury warrant for that amount. The money to make the loan was obtained by our government out of the proceeds of the sale of Treasury Certificates of Indebtedness due June 30. The loan to the British government was purely an emergency loan, and it is understood that it will be replaced with a bond issue loan just as soon as the treasury can complete its arrangements for issuing bonds. The transfer of the big sum was made in Secretary McAdoo's office at Washington in the presence of Federal Reserve Board and treasury and British embassy officials. Lord Cunliffe immediately afterward took the treasury warrant to the British embassy, where it was delivered to Sir Cecil Spring-Rice, Ambassador from Great Britain. Sir Cecil, acting on behalf of the British government, gave the treasury a note for the money bearing the same rate of interest as that borne by the issue of United States Treasury certificates of indebtedness. The warrant received Sir Cecil endorsed over to the United States treasury with a request that the amount be deposited in the federal reserve system to the credit of his government."

Our Financial Assistance Vital

We have already noted how much our help was needed by the Allies but it is of interest in this connection to read an extract from a letter dated May 4, 1917, written by Ambassador Page from London to President Wilson. This is what he wrote:

"I heard all the speeches in both houses on the resolution of appreciation of our coming into the war. . . . It wasn't oratory but it was well said and well meant. They know how badly they need help and they do mean to be as good to us as their benignant insularity will permit. They are changing.

I can't describe the great difference that the war has made to them. They'll almost become docile in a little more time.

"And we came in the nick of time for them—very true. If we hadn't, their exchange would have gone down soon and they know it. I shall never forget the afternoon I spent with Mr. Balfour and Mr. Bonar Law on that subject. They saw blue ruin without our financial help."

Did Great Britain Act for Either of the Allies?

In connection with some of the loans made to the British government it was stated in the public prints during May, 1917, that considerable portions of the sums being advanced were in effect for payments for purchases made by the British government for other allied governments on account of contracts recently placed or then being placed in the United States.

It was said to be understood that Great Britain was purchasing supplies on behalf of Russia in this country, there having been up to that time no loan made by our government to Russia.

The facts in the case appear to be that England was using funds received from the United States to clear up obligations incurred for supplies purchased by her for her own account and for account of certain of her allies prior to April, 1917. This brings up the vexed subject of guarantees which we will now examine.

Guarantees—Were Any Required or Given?

It has been claimed by some people that the United States required the British government to guarantee certain of the loans made to other nations. In particular, Earl Balfour, in a letter addressed to the French ambassador on August 1,

1922, in a paragraph dealing with the cost of the war to Great Britain, said "Under no circumstances do we propose to ask more from our debtors than is necessary to pay our creditors . . . for it should not be forgotten, though it sometimes is, that our liabilities were incurred for others, not for ourselves. The food and raw material and munitions required by the immense naval and military efforts of Great Britain and half of the \$9,732,000,000 advanced to allies were provided not by means of foreign loans but by internal borrowing and war taxation. Unfortunately, the same policy was beyond the power of other European nations. An appeal was therefore made to the government of the United States; and under the arrangement then arrived at the United States insisted, in substance if not in form, that if our allies were to spend the money it was only on our security that they were prepared to lend it."

It is hardly likely that as great an authority as Earl Balfour, who we have already stated was at the head of the finance mission to the United States when these loans were arranged for, would have made such a definite statement as this unless he had felt sure of his position. It would seem, however, that Earl Balfour, when writing the note to France, had not clearly kept in mind the exact conditions. Secretary of the United States Treasury, Mr. Andrew W. Mellon, in a statement published shortly after Earl Balfour's letter was issued, stated that a number of inquiries had been received with respect to the exact status of the obligations of foreign governments held by the United States, and that especial attention had been directed to the origin of the indebtedness of the British government. He said it had been stated that this liability was not incurred for the British government but for the other allies and that the United States in making the

original arrangement had insisted in substance that if the other allies were to use the money borrowed it was only on British security that the United States was prepared to lend it.

In regard to these inquiries, Secretary Mellon said, "The statement that the United States government virtually insisted upon a guarantee by the British government of amounts advanced to the other allies is evidently based upon a misapprehension. Instead of insisting upon a guarantee or any transaction of that nature, the United States government took the position that it would make advances to each government to cover the purchases made by that government, and would not require any government to give obligations for advances made to cover the purchases of any other government." He goes on to say, "Thus the advances to the British government evidenced by its obligations were made to cover its own purchases and advances were made to the other allies to cover their purchases."

In support of this definite statement, Secretary Mellon quoted from a memorandum which the secretary of the treasury in June, 1918, handed to the British ambassador, which memorandum reads as follows:

"So far as the purchases of the allied governments for war purposes within the United States and its Territories and insular possessions are concerned, it is the expectation of the Secretary of the Treasury to continue as heretofore the advances necessary to enable the financing of such approved purchases. The Secretary of the Treasury quite agrees with what he understands to be the views of the Chancellor of the Exchequer that advances shall be made to each allied government for the commodities purchased in the United States by or from it and that no allied government should be required

to give its obligations for such purposes when merely serving as a conduit for the supply of the materials so purchased to another allied government. Any other course would indeed be incompatible with what the Secretary of the Treasury deems a cardinal principle which should be followed in respect to such advances, namely, that the allied government for the use of which the commodity is purchased must give its own obligation therefor and the obligation of any other allied government can not be accepted by the United States as an equivalent."

Mr. R. C. Leffingwell, who was Assistant Secretary of the Treasury in 1917, in an address which he made on May 12, 1922, before the American Academy of Political and Social Science in Philadelphia, stated emphatically that the impression which had been created, that the United States required Great Britain in some sense to guarantee or make herself responsible for loans to the Allies after the United States entered into the war was "wholly erroneous." He tells us that before the United States entered into the war Great Britain had established the rule that each ally should be responsible for the financing of interallied purchases within its own borders. He says "the same rule was extended to the United States when it entered into the war. Under that simple and sound rule the United States financed the requirements of the Allies within its borders; Great Britain financed the requirements of the Allies within the British Isles and to a great extent within the British Empire (but not in India, where the United States financed all the Allies by shipments of silver for a considerable period); and as to expenditures in the neutral world, Great Britain and the United States shared the burden of finance in accordance with a formula agreed upon between them." He continues "The theory of the rule

is simple: The people of each belligerent country could and should respond, in taxes and subscriptions for domestic loans, to the financial demands of its government. The American government could raise all the dollars the Allies needed, the British government all the sterling, the French government all the francs, and the Italian government all the lire. On the other hand, because of embargoes on exports of gold and control of foreign exchange, no government could provide finance outside its borders, except at the expense of grave depreciation of its currency in foreign exchange. It was a matter of course that, under the sound rule thus established by Great Britain before the United States entered the war, and continued without question thereafter, Great Britain should continue to be a lender as well as a borrower on international account.

“In one case only did Great Britain make advances after the United States entered the war for purchases by any of the Allies in the United States—that of Russia—and in that case only to the extent of contracts entered into by Russia and guaranteed by Great Britain before the United States entered the war. The amount is not important.”

From an important English source, we have the following testimony in regard to this question of guarantees. This authority states that there were only three substantial items in the British war debt to America which can be said to have been incurred directly on behalf of the Allies. The most important of these items was in connection with the question of replacement which arose in two forms in the autumn of 1917, “when the American army was making very urgent demands from Great Britain for various kinds of equipment which her own factories were not producing quickly enough. Great Britain began to put forward a claim that America

should find the raw material, not merely in general but as a specific allocation against goods manufactured in Great Britain for the American army. It was clearly impossible to wait for this material, but we urged, or rather the departments concerned strongly urged, that actual steel or copper or whatever it might be, should be ear-marked for the department on this side. This was devised to meet the difficulty created by the acute competition for priority of material on both sides of the Atlantic and the American purchasing authorities fell in with it as a way to overcome the reluctance of particular departments to supply their goods to the American army in competition with British requirements. The claim fell through because supplies became subordinate to shipping, and claims based upon replacement had to take their chance in accordance with the more general over-riding order of priority.

“But while the discussions on this question were still proceeding, Great Britain raised the same point in regard to supplies to her allies. As the difficulty of maintaining British supplies increased, we endeavored for supply reasons reinforced by financial considerations, to make our allies go to the less congested American market. For example, in the winter of 1917-18, we practically stopped making French shell steel, the orders in British factories being replaced in America. The Allies always strongly objected because the American market was far away; out of touch with their central inspectorate and subject to the risks inevitable to the early stages of production. In certain cases they established their point where, for example, highly technical processes had been started. But after the Inter-Allied Munition Council was established in June, 1918, all such requests were brought before that body and Great Britain undertook to supply

the goods if America would replace the raw material. But as soon as this arrangement was come to, the treasury at once pointed out that Great Britain would have to find dollars simply because France or Italy were unwilling to place particular orders in America. The American treasury admitted the force of the argument, and finally agreed that if the Munitions Council certified that British orders were being placed for material in the United States, which would not have been placed there but for the fact that we were supplying goods to the Allies, they agreed that the material should be paid for not out of the dollar credits of Great Britain, but from the dollar credits of the Allies concerned. This arrangement was only agreed upon early in August, 1918, but it is a fact that the last orders for pig iron and steel for shipment to British munition factories were paid for out of French and Italian dollar credits.

"I can not attempt to estimate what sum would be involved, but it is certainly arguable that this rule ought to have been admitted from April, 1917, onwards and if it had been, it might have involved a substantial deduction from the British total debt to America, and a corresponding increase in those of France and Belgium."

This arrangement, together with such part of the British expenditure on maintaining the exchange which can be shown to have been incurred because of French and Italian purchases in various countries of the world, plus a certain sum spent by Great Britain in completing or compensating for the cancellation of orders for Russian type munitions which Great Britain had placed in America on behalf of Russia previous to April, 1917, constituted in the opinion of this authority the three substantial items referred to above, incurred by Great Britain in America directly on behalf of the Allies.

Our authority doubts "whether we should accept the argument that if it had not been for the burden on our finances of our advances to the Allies, we could have financed our own essential requirements in America;" this he adds "is a very theoretical question."

Another distinguished British authority, Mr. Austin Chamberlain, then Chancellor of the Exchequer, in reply to questions in the House of Commons on Tuesday, February 22, 1921, stated that no loans were made by the United States government until after the entry of the United States into the war, and that "no loans made by the United States government to allied governments were ever guaranteed by us."

It would seem to be clear, therefore, that the advances from the United States to Great Britain, except in so far as modified by the statements which we have quoted above, were made directly to Great Britain for her own benefit and not through Great Britain for the benefit of other allies.

Silver for India

It will be noted that of the sums advanced by the United States government to Great Britain, \$261,600,000 were used in purchasing silver. During 1918 and 1919, enormous amounts of silver were necessary to pay for the heavy excess of goods imported into England from India and China. The amount of silver required was emphasized because of the fact that gold exports to India necessarily had to be considerably restricted after 1915. The net imports of silver into India during the twelve months ending March 31, 1919 amounted to 112 per cent of the world's production during the same period, as against 26 per cent of the annual average production in the five pre-war years 1910 to 1914 inclusive.

In the early part of 1918, representations were made to

the United States government that in order to stabilize the Indian and Chinese exchanges, it was essential that Great Britain, if possible, should obtain a large amount of silver from the United States. The rise in world commodity prices and extensive hoarding of the metal in interior parts of India and other eastern countries, were factors contributing to the scarcity of silver, and therefore to this emergency. Added to this situation was the difficulty that silver production, since 1914, had been shrinking, as compared with the production prior to that year.

It was a difficult matter for the United States treasury to know just how to solve this problem, but finally it was decided to recommend to congress that an act be passed allowing the treasury department to lend to Great Britain the silver impounded as security for the silver certificates. This arrangement, of course, would necessitate the retirement of the silver certificates outstanding. To obviate any shrinkage of the circulation due to this cause, it was recommended that the federal reserve banks be authorized to purchase from the treasury an equivalent amount of certificates of indebtedness and against these certificates of indebtedness to issue their federal reserve bank notes, with the understanding that the operation would be reversed as soon as the emergency was passed and Great Britain prepared to reimburse our government for the advances.

Congress approved of this plan.

About 200 million fine ounces of silver were sold to Great Britain during 1918 and 1919. This was not entirely paid for by borrowing. The British government issued to the United States government its notes for \$122,017,000 on account of purchases of silver and the balance of the account was settled by rupee exchange made available to the Federal Reserve

Bank of New York for \$71,353,000, while gold was shipped to this country from India in the sum of \$9,999,000.

The arrangement made with the British government was that interest was to be paid in cash at the rate of 5 per cent per annum semi-annually. The principal was to be paid in equal annual instalments in the years 1921 to 1924 inclusive.

Until the payment in full of the principal with interest, in order to afford American nationals an opportunity to acquire rupee credits at the same cost as such credits were offered to British nationals, the British government agreed to permit the United States treasury, through the Federal Reserve Bank of New York, to make tenders to purchase rupee credits offered by the Indian government in London or elsewhere in Great Britain, on substantially the same terms as were open to British nationals, payment to be made in dollars to the agents in New York of the British government for the sterling cost of the rupees at the cable rate for sterling fixed by the Federal Reserve Bank of New York at noon of the day of such sterling payment in London.

It is unnecessary to go into the details of further arrangements, but suffice it to say that this loan of silver tidied over a serious emergency for Great Britain in connection with her Indian exchanges. The interest on the obligations given by the English government was regularly paid as it came due, also the instalments of principal and the balance of principal remaining unpaid March 31, 1923 was finally merged into the \$4,600,000,000 settlement then arrived at with the British government on account of its gross obligation to the United States.

The operation is also entirely closed so far as the United States treasury is concerned, the 200,000,000 ounces of silver sold having been repurchased in the American market and

returned to the treasury, the obligations issued to the federal reserve banks paid off and the federal reserve bank notes issued against them cancelled.

Britain's Borrowings from Other Nations

In addition to moneys borrowed from the United States, or their equivalent in munitions, Great Britain borrowed during the war considerable sums from other nations.

The total external debt on March 31, 1919, when apparently it was at its maximum, was \$6,641,360,000. Of this amount \$5,240,234,000 were borrowed from governments and \$1,401,126,000 were borrowed in foreign markets. The amount borrowed abroad: from governments other than the United States was \$1,148,794,000 and in foreign markets, \$535,323,000,000.

FOREIGN INDEBTEDNESS OF GREAT BRITAIN

(In "Currency" dollars—000,000 omitted)

Country in which Payable	MARCH 31, 1919			MARCH 31, 1923		
	To Gov- ernment	To Market	Total	To Gov- ernment	To Market	Total
Argentina	94	15	109	.....	15	15
Canada	447	213	660	70	.....	70
Denmark	27	.....	27	.....	.....	.....
Fiji, Straits Settlements and Mauritius . . . . .	.....	45	45	.....	37	37
Certain Allied Governments .	552	.....	552	623	.....	623
Holland	7	9	16	.....	.....	.....
Japan . . . . .	.....	141	141	.....	.....	.....
Norway . . . . .	.....	61	61	.....	.....	.....
Spain . . . . .	.....	12	12	.....	.....	.....
Sweden . . . . .	.....	23	23	.....	.....	.....
Switzerland . . . . .	.....	16	16	.....	.....	.....
Uruguay	22	.....	22	.....	.....	.....
All Countries other than U. S.	1,149	535	1,684	693	52	745
United States	4,091	866	4,957	4,661	218	4,879
Grand Total	5,240	1,401	6,641	5,354	270	5,624

These data are summed up in the table on page 204, columns are added giving the status of the debts on March 31, 1923, the latest date for which information is obtainable.

We have already very fully considered the loans from the United States. Just as was the case with the United States, in nearly every instance, the loans were arranged to facilitate exports from the respective countries to Great Britain.

There were three important exceptions to this rule, namely the loans of gold from France, Italy and Russia made prior to 1917 to facilitate purchases of munitions through England from the United States; and there was also the camouflage exchange of credits with the Russian Bank of the State. The former are probably included in the general classification, "Loans from Certain Allied Governments." They have already been fully discussed in Chapter VIII. The latter do not seem to appear in the accounts.

Outside of these loans and those from the United States the only loans of important size were those made by Canada, which it will be observed totalled on March 31, 1919 the large sum of \$446,700,000 due to the Canadian government and \$212,500,000 due to Canadian banks; \$659,200,000 in all. Canadian "Public Accounts" for the year ended March 31, 1917, stated that at that time advances to the imperial government amounted to \$169,458,000, while on the other hand the home government owed Canada \$180,938,000, resulting in a net balance in favor of Great Britain of \$11,480,000. By the end of the next fiscal year the imperial government was a debtor to Canada on balance for \$111,708,000. At the end of the next year (March 31, 1919) the balance against Great Britain had reached \$221,490,000. After this date Great Britain gradually reduced her obligation, so that on March 31,

1923, according to British "Finance Accounts," the obligations of the two countries were in balance, the amount due Canada being offset by a similar amount due from Canada. The loans made by Canada to Great Britain were chiefly to pay for guns and other munitions manufactured or produced in Canada. The munitions included large amounts of cereals and dairy products. The counter liabilities of Canada to Great Britain were almost wholly for supplies furnished by Great Britain to the Canadian army.

Foreign Loans of Great Britain 1917-1920

We have seen in our discussion of the inter-ally loans prior to April, 1917, that Great Britain up to that time was the banker in chief and the chief purveyor and broker in munitions obtained outside of their own boundaries for the Allies. In the second part of the war, as we also have noted, Great Britain continued to be a heavy lender to her European allies and to her dominions, but was able to offset these loans by borrowing from the United States and in a minor degree from other nations. That is to say, money values of amounts borrowed and of amounts lent almost exactly offset each other, but when considered in terms of munitions the articles obtained abroad were for the most part of a different category from those supplied to the borrowing nations. For example, England obtained in America—north and south of the equator—provisions, cotton, metals, nitrates and certain classes of partly manufactured goods, as well as a large tonnage of manufactured goods ready for use. She probably passed along some of the provisions to those who borrowed, but her loans were largely in the form of manufactured goods made from British steel, combined with metals and partly manufactured munitions obtained abroad. She

also exported a heavy tonnage of coal obtained from British mines. Thus while loans made offset loans received so far as money values went, goods loaned and goods received were of quite different categories.

On April 1, 1920, Great Britain was lending \$9,891,953,000; or if we deduct the camouflage loan to Russia of \$973,000,000 the amount of actual loans was \$8,918,953,000. On the same date the United States was lending \$9,580,820,000. As the latter figures include accrued and unpaid interest, while the former include only some interest it may be said that the two great English speaking allies had contributed to the cause in goods about equal values.

Statistical Table XXV gives the actual status of the inter-ally loans, on or about April 1, 1920.

CHAPTER XI

French Loans From and To Foreign Nations

1917-1920

GENERAL PERSHING in his *Final Report* sums up tersely the conditions which confronted the Entente Allies in the Spring of 1917. He writes:

"It cannot be said that German hopes of a final victory were extravagant, either as viewed at that time or as viewed in the light of history. Financial problems of the Allies were difficult, supplies were becoming exhausted and their armies had suffered tremendous losses. Discouragement existed not only among the civil populations but throughout the armies as well."

These facts were very definitely developed by Lord Balfour and his colleagues on the part of the British and by M. Viviani and Marshal Joffre for the French in their presentation of the subject to our government in April, 1917.

The loans began almost immediately—Great Britain receiving her first loan, \$200,000,000, on April 25 and France her first loan, \$50,000,000 on May 8.

Debt of the French Government to the United States Government, 1917-1923

The records of the United States treasury department show that the total advances by the United States government to France from May 8, 1917, to September 28, 1920 amounted to \$2,997,478,000.

France apparently expended in the United States through
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or under cognizance of the United States treasury \$4,196,247,000. These disbursements were met as follows:

Cash advanced by the United States	\$2,997,478,000
Less refunds and repayments	31,450,000
	<u>\$2,966,028,000</u>
Reimbursements from United States credits to other governments	19,302,000
Dollar payments to France by the United States for supplies furnished to United States army in France	1,025,438,000
	<u>\$4,010,768,000</u>
Difference not explained in the Report of Secretary of Treasury	185,479,000
	<u><u>\$4,196,247,000</u></u>

In the table printed on page 210 compiled from official statements of the United States treasury department the statistics are separated by critical periods and the disbursements are partially analyzed.

The United States treasury department does not explain why the particular periods used to classify the accounts were selected. It will be noted that for the pre-armistice period they correspond roughly with the development of America's military and naval activities.

During 1917 our army for the most part was simply in process of mobilization and training. General Pershing tells us that "on December 31, 1917, there were 176,665 American troops in France and but one division had appeared on the front."

During the first six months of 1918 the American army was still in process of organization as an effective fighting force. On March 21, approximately 300,000 American troops had reached France. By the end of May we had a force of

600,000 in France. However, during these six months our men were still largely in training although many of them saw service with British and French troops and during April, May and June some took part in hard fighting, especially in May on the heights of Cantigny.

ADVANCES MADE TO FRANCE BY THE UNITED STATES
GOVERNMENT AND EXPENDITURES REPORTED BY
FRANCE FOR THE PERIODS GIVEN BELOW

(In dollars—00,000 omitted)

	Total Apr., '17 to Nov., '20	1917 April 6 to Dec. 31	1918 Jan. 1 to June 30	1918 July 1 to Nov. 30	1918-19 Dec. 1 to June 30	1919-20 July 1 to Nov. 1
ADVANCED	2,997.5	1,130.0	525.0	355.0	632.5	365.0
Refunded	31.5	.....	.....	.....	7.6	23.9
NET ADVANCES	2,966.0	1,130.0	525.0	355.0	624.9	331.1
EXPENDITURES						
Munitions	827.2	312.0	177.7	178.4	146.7	12.4
Exchange and Cotton	806.6	278.0	202.2	25.2	141.1	160.1
Foods	295.2	14.5	47.0	16.4	142.5	74.8
Tobacco	40.7	.....	9.2	9.2	18.9	3.4
Other Supplies	276.6	27.7	24.4	34.6	82.8	107.1
Transportation	32.5	11.4	11.0	2.2	5.6	2.3
Shipping	122.4	10.3	26.5	25.2	35.0	25.4
aReimbursements	1,045.8	331.0	250.0	295.0	150.0	19.8
Interest on loans by U. S.	268.8	25.7	40.6	59.6	130.2	12.7
Maturities	289.7	31.7	27.1	101.0	14.2	115.7
Relief	143.1	37.0	24.0	28.0	38.0	16.1
Silver	6.3	.....	3.5	0.3	2.5	.....
Miscellaneous	41.3	2.6	5.7	5.6	16.7	10.7
TOTAL REPORTED						
EXPENDITURES	4,196.2	1,081.9	848.9	780.7	924.2	560.5
bLess Dollar payments by U. S. for foreign cur- rencies	1,025.4	.....	321.8	370.4	332.9	0.3
Reimbursements from U. S. Credits to other Governments	19.3	.....	.....	.....	.....	19.3
NET EXPENDITURES	3,151.5	1,081.9	527.1	410.3	591.3	540.9

aPayments made by France to Great Britain for cereals, sugar, meats and munitions and for neutral freights, and other disbursements made to neutrals.

bCurrencies needed by the United States in France for war expenditures in that country were provided by France under an arrangement whereby the dollar equivalent of the amounts so provided was made available to France for use to meet her war expenditures in the United States and thus the needs of France for advances from the United States were reduced by a corresponding amount.

From July, on to the time of the armistice in November, our troops took an increasingly aggressive part in the fighting.

From the time of our entrance into the war until its close our navy did splendid work in convoying the troop ships, in assisting in running down submarines and in tightening the North Sea blockade by mine-laying and in other ways.

If there is merit in the contention that the loans should be cancelled which were made to our allies while we were developing our army in France into an effective fighting force, then the expenditures of the year 1917 and of the first half of 1918 should be carefully investigated in order to determine the amount which we might fairly be asked to cancel. A considerable part of the advances for this period was not for direct military requirements, while a substantial part appears to have gone to Great Britain to reimburse her for advances made to France. If the opinion is correct that our contribution to the war while our effective military force was being organized should have been the munitions required for its conduct, then the amount to be cancelled for France would be some part of the \$1,130,000,000 loaned her in 1917, and of the \$525,000,000 loaned her in the first half of 1918. These sums aggregate \$1,655,000,000.

As to how much of this amount was expended for direct military purposes; how much to repay Great Britain for borrowed money; and how much for non-military purposes, such as provisioning the non-combatants, stabilizing the exchanges, and for other non-military purposes, the records are not as clear as they might be. To get at the full facts each division of the accounts should be carefully analyzed, especially the two blind entries, "exchange and cotton purchases" and "reimbursements."

The secretary of the treasury in his report for 1920 says:

"In considering the statements it must be borne in mind that the amounts shown under the various headings do not for the most part include expenditures of dollars obtained by foreign governments otherwise than from the American government's loans and expenditures in Europe, and therefore do not represent total disbursements."

The amounts borrowed by France in the money markets of the United States or from sellers of munitions to and including May, 1917, aggregated \$774,000,000. Deducting \$95,000,000, the par value of obligations maturing during the same period, we have a net amount available for purchase of goods aggregating \$679,000,000. From this amount we must deduct \$289,700,000 refunded by proceeds of United States loans and included in the statement of disbursements already given. We thus arrive at a net amount of \$389,300,000 to be added to our former total of \$4,196,200,000. This gives us a grand total of \$4,585,500,000 disbursed by France in the United States from August, 1914, to September, 1920, inclusive. To meet these expenditures the United States government loaned France \$2,966,000,000; transfers from credits to other governments provided \$19,300,000; the bankers of the United States and their clients supplied a net amount of \$389,300,000; while expenditures of the United States army in France were offset by credits given France in the United States for \$1,025,400,000. This leaves the sum of \$185,500,000 unaccounted for.

Thus American bankers, merchants, manufacturing, shipping and transportation interests profited to the extent of over three billion dollars, from French disbursements in the United States. On the other hand the large disbursements in France by the American Expeditionary force were similarly advantageous to French business interests.

On November 15, 1923, France owed the United States government \$3,990,657,000 as follows:

Cash advances as heretofore stated . . .	\$2,997,477,000	
Less refunds and repayments	64,212,000	
		\$2,933,265,000
For account of army supplies purchased .	407,341,000	
Interest accrued	\$840,887,000	
Less amount paid	190,836,000	650,051,000
GRAND TOTAL	\$3,990,657,000	

The war borrowings of France in the United States money markets had all been repaid at the end of 1923, except \$216,000,000, viz: \$45,000,000 French Cities 6s; \$87,745,000 French Government 8s of 1945 and \$82,150,000 French Government 7½s of 1941.

The year by year borrowings in the United States may be summarized as stated in the table on page 214.

French Borrowings from the United Kingdom

Similar data in regard to the loans made to France by the United Kingdom do not appear to have been published.

We have already seen that in or about October, 1914, an issue of \$48,666,000 French treasury bills was placed through the Bank of England and that on October 15, 1914, Messrs. Rothschild & Son floated in London \$9,732,000 similar bills. As explained more in detail in Chapter VIII, in 1915 Great Britain agreed to lend France an aggregate of \$289,500,000 on condition that France would loan to Great Britain gold up to one-third of any advances to be received from the British treasury. This gold was to be borrowed from the Bank of France and to be used in maintaining the British

WAR AND POST-WAR BORROWINGS OF FRANCE
IN THE UNITED STATES
(In dollars—000,000 omitted)

Year	MARKET LOANS			From U. S. Government, Borrowed	Net Total
	Borrowed	Paid	Net		
1914	10	....	10	....	10
1915	335	10	325	....	325
1916	314	70	244	....	244
1917	115	83	32	1,130	1,162
1918 . . . . .	....	74	-74	966	892
1919	95	236	-141	1,208	1,067
1920	100	250	-150	100	-50
1921	100	58	42	-46	-4
1922 . . . . .	....	63	-63	-17	-80
1923 . . . . .	....	9	-9	....	-9
<i>Add:</i> Interest accrued and unpaid on Debt to the United States Government to Nov. 15, 1923					
	1,069	853	216	3,341	3,557
<i>Total Debt of France in and to the United States on Nov. 15, 1923</i>					
	....	....	216	3,991	4,207

exchange with the United States. This proposed loan was intended to facilitate transactions in British, Canadian and American markets. By October 31, 1915, the amount of treasury bills sold in England was reported to be \$198-597,000.

In December, 1915, a "substantial amount" of the first Loan of National Defense was reported to have been taken in England. The proceeds by arrangement with the English government were to be devoted to the liquidation of the large debts which had been contracted there by the French government.

In the spring of 1916 additional treasury bills were placed with the English government on the same basis as the loans arranged in 1915, viz: the Bank of France to lend the Bank of England gold coin in amount equivalent to one-third of the advances made by England.

In the fall of 1916 an arrangement was consummated for further advances from the British treasury, but with the stipulation omitted in regard to a reciprocal loan of gold. However, "it was nominated in the bond" that the proceeds of these bills, except within certain specified limits, were to be used for payments to be made within the United Kingdom.

Notwithstanding the large borrowings of France in the United States after April, 1917, the borrowings in England steadily increased, rising from \$988,160,000 at the close of 1916 to \$1,934,632,000 at the close of 1917; \$2,390,305,000 at the close of 1918; \$2,626,730,000 at the close of 1919; \$2,684,437,000 at the close of 1920 and to \$3,089,351,000 at the close of 1921. Goods purchased in England also seem to have been paid for by credits obtained by France from the United States government and transferred to England's account, under the head of "reimbursement."

In April, 1918, France sold about \$23,160,000 worth of her internal bonds in Argentina and she also arranged export credits in 1918 in Uruguay and other countries.

After the close of the war France arranged for export credits for reconstruction and rehabilitation from Canada, from Spain, from the United Kingdom and from some of the South American republics.

Loans Made by France to Other Nations

In February, 1915, France, the United Kingdom and Russia, represented by their respective Finance Ministers,

Messrs. Ribot, Lloyd-George and Bark meeting in Paris, agreed "to unite their financial resources" for the more effectual conduct of the war. The outcome of this arrangement was that France and England each made large advances to Russia. The advances of France were in the form of bills discounted by the Bank of France.

The loans to Russia were made in order to enable that country to cope with the difficulties in which she was involved because of the closing of her ports. The price of wheat and other goods purchased by France in Russia was to be charged against these advances, but when the Russian debacle came in October, 1917, the French government was caught with net advances of \$1,053,587,000, the repayment of which by Soviet Russia is doubtful, not to say improbable.

Early in the war France made considerable advances to Belgium. By the end of 1921 these loans aggregated \$711,012,000. The Kingdom of Serbs, Croats and Slovenes received the next largest sum, \$346,435,000. Roumania followed with \$227,933,000. Then Poland with \$203,808,000; Italy with \$179,876,000; Greece with \$166,173,000 and Czechoslovakia with \$110,782,000. Sundry small loans aggregating \$11,194,000 bring up the grand total of all foreign loans by the French government due to the war or its aftermath to \$3,010,800,000. As we have already seen, the foreign debt of France on account of the war amounted on December 31, 1921, to \$6,863,659,000.

Therefore, moneys due to France from foreign nations, if collectible, would cancel 43.8 per cent of moneys owed to foreign nations by France.

For further details of the inter-ally financing of France reference may be made to the Statistical Tables.

CHAPTER XII

Financing Belgium 1914-1923

JUST following the outbreak of hostilities in 1914 word had come to the American embassy in London giving the most harrowing account of conditions in Belgium. It was said that Brussels had only food enough to feed the people for thirty-six hours. Ambassador Page, three Belgians and an American business man were in conference as to what could be done. "Upon the result of that meeting," says Mr. Page's biographer, "hung the fate of millions of people."

It was evident that the success of such an enterprise called for the leadership of a great executive. So Mr. Page realized. Turning suddenly to the American man of affairs he said, "Hoover, you're It!" It is recorded that Mr. Hoover made no reply. He acted. He glanced at the clock, got up and silently left the room. In a few minutes he returned stating that he had bought by cable several million bushels of wheat in New York—Belgian relief had started. The flow of food from America for Belgium which began then lasted until after the armistice—that is until Belgian national life once more was functioning.

Belgium Before the War.

Belgium is the most densely populated country of Europe. In fact the population per square mile is 50 per cent denser than that of any other European nation. This population for fifty years prior to the war had been growing denser each decade, while immigration had exceeded emigration.

The principal occupations in order of their importance were manufacturing, commerce, and agriculture. Manufac-

turing and its cognate mining industries occupied over half of the active workers. While every square inch of soil was cultivated it was necessary to import annually 2,800,000 tons of live stock, beverages and foodstuffs in order to feed the population.

Belgium imported in pre-war days nearly 30,000,000 tons of merchandise annually, five-sixths of which was raw materials or partly manufactured goods for use in her industrial plants. These imports were valued at around a billion dollars. Belgium exported some 20,000,000 tons of merchandise, valued at about \$750,000,000. The excess of imports undoubtedly represented Belgium's earnings from her large foreign investments and the earnings of her banking, insurance and shipping interests from services rendered in international trade.

In order to care for her domestic and foreign commerce, Belgian railways and ports were highly developed.

In pre-war days the population was exceedingly active; the people moving about readily to places where their work was needed.

The German Invasion Brings Distress

All of this activity and prosperity was checked and paralyzed by the German invasion of 1914, and the occupation of the following four and a half years, accompanied as they were by requisitions, arrests, deportations and sabotage.

The population scattered in terror, production ceased, prices soared, poverty increased on all sides with giant strides.

However, the national misfortune had the effect of arousing new energy and a spirit of union.

The First Steps to Prevent Famine

In the declaration of war, August 2, 1914, the King was authorized to prescribe measures for feeding the population and for preventing hoarding. Price fixing and requisitions followed. A central commission with a delegate for each province was to study the needs and resources of the different sections and to supply food as needed. Food was gathered together in convenient centres for distribution. Arrangements were made for free distributions by means of the official charity bureaus. Private charity took care of the needs of as many as possible.

One of Germany's first measures, on establishing herself on Belgian soil, was to abrogate these measures of relief. The local authorities were stripped of power; administrative disorder due to the invasion checked the functioning of the official organs of charity; private money was tied up by restrictions on withdrawal of capital. The need for a vaster, more efficacious scheme of relief applicable to universal and unprecedented misery was felt on all sides, although the lines theretofore followed, were still pursued with heroic persistence.

The National Relief Committee

In the early days of the occupation of Brussels a national relief committee was founded under the name of "Central Committee for Relief and Feeding" with the philanthropist and manufacturer, Ernest Solvay as President. The protective patronage of the Spanish Envoy Villalobar and of the American Ambassador, Brand Whitlock, was sought and obtained.

The first meeting of the committee was held September 3, 1914. M. Solvay gave its aim as being to gather sub-

scriptions with which to feed the needy, saying: "It appears certain that later on the generalization and extension of our present movement will follow of themselves; and the intervention of all Belgians who have retained some prosperity, in behalf of those who have lost all, will be acclaimed and rendered obligatory."

The committee began by raising money and opening soup kitchens.

Financial resources were not all, however; the food had to be found. This was difficult; Belgians were afraid to bring their produce to market, because of requisitions. By the intervention of neutrals, safe conducts in the shape of posters for the relief wagons were obtained from the Germans.

The communes transferred their stocks of rice, salt, flour, and other provisions to the central committee, under the protection of the German poster—this was the embryo of the Department of Feeding, which was to develop so remarkably.

Seeking Food Abroad

Belgium had always relied on foreign countries for a portion of her foodstuffs, a purchase of which was now doubly imperative. An American, Mr. Millard K. Shaler, was sent for the purpose to England, where he was embarrassed by English fear of endangering the blockade against Germany. Through the joint actions of the Spanish and American ministers and of the Belgian government it was finally arranged that the Germans should refrain from requisitioning any humanitarian food imports; whereupon England consented to sell on condition that the products should be convoyed to their destination under the patronage of the Spanish and American ministers. This brought about the creation,

through the initiative of Mr. Hoover, of an organization—"Commission for Relief in Belgium," whose mission was to send and receive products and to make sure that they did not fall into German hands. How this commission functioned we shall see shortly.

Character of the National Committee

The National Committee on Relief and Feeding was not a diplomatic creation. Its nucleus developed progressively, under the action of social forces in disruption, seeking a common centre which should replace the national power, then in exile.

The National Committee had no political power, it could not have had such power, and continued to live under the German régime. Its unofficial character was its safeguard, permitting neutral powers to work with it, and England to sell to it.

Political bias and grouping were done away with. Local committees were composed of representatives from the different parties.

The committee was independent alike of administration and of the citizen, hence it was sovereign in its decisions, which had to be carried out without meeting any objection. England always stipulated this independence as a *sine qua non* for granting the supplies required of her. Germany, of course, would not have tolerated any political authority but her own; while the intervention of neutrals was otherwise impossible.

The protective patronage of the neutral ambassadors whereby they became go-betweens between Belgium and Germany was of the utmost value. The work of the committee thereby became the work of the neutral powers also, which

assumed a mandatory position under cloak of which Belgium was able to carry on her task in a manner that would otherwise have been impossible.

The Commission for Relief in Belgium

The Commission for Relief in Belgium, which soon came to be known simply as the C. R. B., like the National Committee, had no precedent in history, its creation came solely from the feeling of human solidarity which always arises in the presence of great and undeserved calamities. But this is worthy of note and honors the Belgian recipients as well as her generous benefactors: this movement of solidarity did not have the usual ephemeral fate of movements born of special emergencies, but persisted vigorously as long as the war lasted.

Financing the Relief Work

Shortly after the armistice, in January, 1919, Mr. Hoover was able to announce that there had been no loss of life by starvation among the ten million people of Belgium and Northern France, while in Poland and Serbia which were also under German occupation, one-fourth of the people had died. During the four years over which the work of the C. R. B. had extended Mr. Hoover stated that more than four and a quarter million tons of food had been shipped to Belgium by the commission.

We give in the words of Mr. Hoover himself, a summary of the work of the C. R. B. from the financial side:

Accounting and Auditing: "The great moral responsibility for full accounting was realized by the commission from its first day. Therefore the precaution was taken to engage one of the leading international firms to audit every ramification

of expenditure and receipts, and to make doubly sure they were also engaged to undertake the unusual task of themselves actually keeping the books and furnishing their own accounting staff at all principal branches.

How Financed: "The commission was born as a purely philanthropic enterprise, dependent upon the charity of the world for support, conceived as a few months' emergency service to defend 10,000,000 people from certain starvation. However, it became evident that the war was not a struggle of months but of years, and that if these 7,500,000 people in Belgium and 2,500,000 in Northern France were to survive, it must be accomplished by much broader operation than public charity. The commission, therefore, sought and ultimately received financial support from the Belgian, French, British, and later the American governments. These official advances were, by consent of the Belgian and French governments, debited to them and were finally placed in the reparations settlement for preferred payment under the indemnity. . . .

Organization: "An understanding of the accounts requires some conception of the method of the organization. A primary division in operations was established between the provisioning of the population and the care of the destitute. The basic theory of administration was to erect a system of food supply with all of its train of handling agencies, stretching from the interior of the United States, the Argentine, Australia, India, and other great food centers, focusing into Rotterdam with a distribution through chains of primary and secondary warehouses, ultimately, through a ration card, reaching to the individual family, which paid for the food supplied at fixed prices.

Philanthropic Side: "Destitution grew rapidly under the occupation and, of the 10,000,000 people, fully 5,000,000

were wholly or partially destitute before the end of the war. A separate branch of administration was organized for the care of these destitute giving them assistance to purchase ration cards and by charitable public eating and clothing establishments. Their needs necessarily extended further afield than the provision of imported food and clothing—because bare living requirements necessitated supplies of native foodstuffs, fuel, light, shelter, medical care, as well.

Provisioning Side: “The provisioning side was organized in the form of a commercial enterprise, transferring its cash receipts to the benevolent side of the administration for the use of the destitute. This plan of division greatly simplified the accounting and gained the administrative values of a separate personnel more adapted on one hand to commercial administration and on the other to charitable work. It further made possible the exaction of a small profit from the sale of food to those who could afford it, and thus swelled the resources of the benevolent branch.

Personnel: “The principal officers of the commission gave their services without salary and in many instances paid the whole of their own incidental and traveling expenses as well. Shipping firms, accountants, insurance agencies, buying agencies, throughout the world, gave their services without charge otherwise than the mere out-of-pocket incidentals. The distributing committees of over 55,000 members gave their voluntary services over these many years. Forty thousand Belgian and French women dedicated themselves to the saving of the child life of their nations. Never was there greater pressure for economy and efficiency upon an organization. At no time were the population fed to more than the point of bare subsistence.

Financial Results: "The total administrative expenditure was held down to less than one-half of one per cent (exactly 42/100 of 1 per cent) of the entire operation. The record of economy may be extended even further than this, for the changing tides of war often required the diversion of cargoes and sales of foodstuffs outside of Belgium to meet emergency readjustment of purchases or supplies whose shipment or distribution had already been arranged. Upon these and similar transactions entirely outside of Belgium and France a balance of profit of over nine and one-half million dollars was earned, several times greater than all overhead expenditures. From these profits on outside operations the commission, first, paid its entire administration and overhead expenses; second, paid over to the benevolent department some \$2,600,000 for charitable distribution in Belgium and France; and third, as at 30th September, 1920, still held available for relief work in those countries and to meet the expense of liquidation approximately \$3,120,000—since that date largely distributed. The economy of operation in the organization has, in fact, even a higher standard of test than this, in that the average prices maintained for food supplies in this occupied territory during the entire period of war will show from 15 to 20 per cent less than the prices in the allied countries at the same periods.

" . . . It was of the utmost concern, however, to those in official direction, not only that the work might be effectively performed and presented to the world, but that our honor and the honor of our country in this trusteeship should never be challenged."

Following is a statement taken from the official report of the cost of the relief work in Belgium proper:

THE COMMISSION FOR RELIEF IN BELGIUM
BELGIAN RELIEF ONLY

TOTAL EXPENDITURES	\$821,680,358
TOTAL RECEIPTS:	
British Treasury	188,362,821
U. S. Treasury	257,774,647
French Government:	
Benevolent Account	\$32,685,969
Merchandise Account	180,922,697
Sundry	5,098,228
	218,706,894
Rotterdam Merchandise Account	16,530,618
C. R. B. Educational Foundation Acct.	22,913,386
Commercial Exchange	6,328,328
C. R. B. Profits Allocated to meet deficiency	111,063,664
	\$821,680,358

*The Total Advances by the
Allied Powers to Belgium*

On August 3, 1914, the Germans invaded Belgium. On the 17th the Belgian government moved to Antwerp, the army following two days later. The Germans entered Brussels on the 20th. Antwerp fell on the 9th of October, the Belgian government and army having retired on the 3rd and 8th, respectively. From the fall of Antwerp until the armistice, all of Belgium, except a little corner in the extreme northwest, was occupied by the Germans. During this time the Belgian government, by the courtesy of the French, established headquarters at Havre.

Under the circumstances of the case the Belgian government was without any source of income from their own country while in exile. This made it necessary for them to depend upon loans from their allies. The loans were required to

keep their army in the field, to meet the necessities of the royal family and government officials sharing their exile and to provide the relief funds for the people at home.

Up to the date of the armistice these advances amounted to just under one billion dollars; to be exact \$928,559,000. Of this amount Great Britain lent \$392,533,000, France \$364,246,000 and the United States \$171,780,000. Of course the advances from the United States government did not begin until after April 6, 1917.

There is no information available as to the purposes for which the advances of Great Britain and France were expended, but we know that \$139,500,000 of the advances from the United States, 81.20 per cent of the total, went for relief.

Germany to Reimburse Belgium for Pre-Armistice War Debt

By the terms of Article 232 of the Treaty of Versailles, "Germany undertakes . . . to make reimbursement of all sums which Belgium has borrowed from the Allied and Associated Governments up to November 11, 1918, together with interest at the rate of five per cent per annum on such sums." Provision is then made that the amount shall be determined by the Reparation Commission, and that the German government shall "forthwith make a special issue of bearer bonds to an equivalent amount payable in marks gold, on May 1, 1926, or, at the option of the German government, on the 1st of May in any year up to 1926."

Provision is made that the form of the bonds shall be determined by the Reparation Commission and that the "bonds shall be handed over to the Reparation Commission, which has authority to take and acknowledge receipt thereof on behalf of Belgium."

In September, 1921, the Reparation Commission decided that the amount due to Belgium should be settled on the basis of the rate of exchange of gold marks on armistice day.

In a *Statement of Germany's Obligations . . . at December 31, 1922*, issued by the Reparation Commission the amount of the Allies' loans to Belgium to November 11, 1918, is stated to have been 5,624,000,000 gold marks (\$1,338,512,000). This is higher by \$409,953,000 than the figure above given of \$928,559,000. The difference is probably due partly to the addition of accrued interest in the Reparation Commission's statement and partly to the fact that their determination of the amount is made at the rates of exchange current on armistice day. The commission does not state the amounts estimated as due to each creditor. Of course, this estimate is not binding on the lenders, but simply settles the amount for which Germany is obligated to issue bonds to Belgium.

Another estimate from an authoritative source places the amount due from Germany at \$1,327,521,000 (5,572,754,000 gold marks) and allocates the share of each nation as follows: France, \$607,541,000; Great Britain, \$522,044,000; United States, \$197,936,000. These figures include accrued interest to May 1, 1921.

Physical Conditions at Armistice

During the war Belgium's territory had been entirely overrun, and, in many parts, had been devastated by the invaders. Some 75,000 houses and other buildings had been destroyed or severely damaged.

Her breed of horses, celebrated for their beauty and strength, had been seriously diminished by constant requisitions; her other live stock had been reduced by forty per cent.

Her great stock of merchandise had been gradually exhausted. Warehouses and public and private stores had been emptied; trade had ceased to exist.

Industry, as a whole, had suffered appallingly; in particular many important metal works either had been razed to the ground, or had their machinery, material and tools destroyed or removed.

The admirable railway system, consisting of 2,712 miles of main line, supplemented by 2,543 miles of light local railways, which had borne the heavy traffic of nearly all of the German armies during the entire war period, had been poorly maintained and very roughly handled during their retreat.

Many canals were rendered useless.

Public highways, to the length of nearly 1,300 miles, including numerous bridges, were in such a condition as to require rebuilding.

The direct material damage inflicted on Belgium by the German invasion is estimated at more than \$3,000,000,000.

Post-Armistice Financing

The signing of the armistice restored Belgium to complete autonomy but the government for several months had to continue to supply food and clothing to the populace and had to maintain the unemployed during the re-establishment of industry.

The government also faced other serious fiscal problems such as paying arrears of salaries and expenditure, as well as re-establishing civil and military services under conditions of greatly increased cost of living; liquidating requisitions made by the Belgian government for the organization of her army in the early days of the war, and above all repaying the monthly levies made by Germany during the occupation;

providing indemnities and pensions to soldiers and others who had suffered from the war; reconstructing public buildings and re-establishing public services; withdrawing the German marks left in the country; repaying the loans made to the government by the Allies during the war.

Large Borrowing Inevitable

These conditions made necessary continued resort to foreign loans and also necessitated large home borrowing. It was impossible immediately to balance expenses with revenue receipts.

The United States Liberty Loan acts, under which advances to foreign nations were made, expressly limited such advances to nations "engaged in war with the enemies of the United States." Therefore, the financial officers of the government were somewhat at a loss to determine whether advances might be continued after the armistice. However this doubt was resolved in favor of loans "for relief purposes," such loans having been construed from the beginning of the war as incurred as the law requires for the purpose of "providing for the national security and defense and for the purpose of assisting in the prosecution of the war."

The official termination of the war was to be fixed by proclamation of the President of the United States. Such proclamation was not made until November 14, 1921, when President Harding designated July 2 of that year as the date when war ended. This was long after all loans to foreign governments had ceased.

The governments of Great Britain and France, not being limited by their parliaments as to the purposes for which advances could be made to their allies assumed the responsibility of making to Belgium loans for reconstruction.

Some discussion arose between the United States and Belgium, because the Belgian government had made an arrangement to prefer loans made by Great Britain for reconstruction purposes. This discussion was settled by an understanding arrived at with Great Britain that our post-armistice loans made for relief purposes should rank equally in settlements with the British post-war loans for reconstruction for which purpose our government could not make loans.

Belgium's Indebtedness to the United States

However, although as a nation we could not make Belgium loans for reconstruction there was nothing to prevent our people from so doing. Consequently we find that through American bankers Belgium placed in the United States, after armistice day, loans aggregating \$155,000,000 which, added to the post-armistice loans of the United States government aggregating \$175,431,000, make the total capital resources furnished Belgium from America after the armistice \$330,431,000. Of this amount \$61,500,000 of the market loans had been retired up to the close of 1923. On the other hand accrued unpaid interest on loans by the United States government amounted on November 15, 1923, to \$77,433,000, and surplus war supplies furnished to Belgium in exchange for her obligations were valued at \$29,819,000. Therefore at the close of 1923 the Belgian government owed \$454,463,000 to the United States government and also was indebted for market loans in the United States for \$93,500,000; a total of \$547,963,000.

Belgium's Total Indebtedness to Foreign Governments

On March 31, 1923, the British government claimed as due from Belgium an amount equivalent at par of exchange

to \$43,794,000. At the same date according to the records of the lending governments Belgium owed the Dominion of Canada, \$6,291,000 and France, \$711,012,000; a grand total, including the \$454,463,000 due the United States government, of \$1,215,560,000.

It is understood that Great Britain has written off the \$392,533,000 pre-armistice debt and she would appear to have settled in part her post-armistice debt, say for \$66,919,000, altogether at par of exchange \$459,452,000.

While French statements apparently still carry the pre-armistice debt an understanding in regard to cancellation is understood to have been reached.

Belgium's total borrowing from her allies in the Great War, therefore, may be summed up about as follows:

BELGIUM'S LOANS FROM ALLIED GOVERNMENTS

1914-1923

(In "Currency" dollars—00,000 omitted)

Country	Pre-armistice	Post-armistice	Total
Canada . . . . .	.....	6,3	6,3
France.	364,2	346,8	711,0
Great Britain.	a392,5	b110,7	503,2
United States.	171,8	c282,7	454,5
Total	928,5	746,5	1,675,0

aThis amount appears to have been settled.

bOf this amount \$66,919,000 appears to have been settled.

cIncludes \$77,443,000 for accrued and unpaid interest to November 15, 1923, and \$29,819,000 for surplus war supplies upon which interest is being regularly paid.

The statements in regard to the post-armistice debts to Canada and to the United States substantially agree with the books of those nations if to the amount acknowledged as due to the United States we add the accrued interest in-

cluded in our statement. There is a very wide difference between the figures of the French and Belgian statements as to the amount Belgium owes France. There is also quite a discrepancy between the statements of the two nations as to the debt due Great Britain. They agree as to the reconstruction debt, but not as to the other post-armistice debt.

According to Belgian accounts on October 31, 1922, her debt to foreign governments was as follows:

BELGIUM'S DEBT TO FOREIGN GOVERNMENTS

AS OFFICIALLY REPORTED ON OCTOBER 31, 1922

(000 omitted)

Country	In Dollars at Exchange Parities
GREAT BRITAIN	
For reconstruction	43,794
Other advances since armistice	24,414
Total	<u>68,208</u>
FRANCE	
Advances since armistice	53,572
UNITED STATES	
Purchase surplus war materials	27,559
Purchase frozen meat	2,284
Advances since armistice	175,471
Total	<u>205,314</u>
CANADA	
Purchase horses and mules	4,528
Export credits	2,028
Total	<u>6,556</u>
HOLLAND	
Cost of internment of troops	24,167
Grand Total	<u>357,817</u>

This is actually a statement of post-armistice debt, as Belgium does not carry in her statements her pre-armistice obligations to Allied Powers.

Budget Deficits

Since the armistice, Belgium has not published statements of income and expenditure. Therefore only budget figures are obtainable.

The estimated budget deficits for the years 1919 to 1923 have been as follows:

POST-ARMISTICE BELGIAN BUDGET DEFICITS (ooo omitted)

Year Ended Dec. 31	Francs	Currency Dollars
1919	6,105,687	1,178,398
1920	7,071,531	1,364,805
1921	4,005,451	773,052
1922	1,532,000	295,676
	<u>18,714,669</u>	<u>3,611,931</u>
1923	2,397,000	462,621
Total	<u>21,111,669</u>	<u>4,074,552</u>

From the close of 1918 to the close of 1922 the debt increased from \$1,920,448,000 to \$6,392,644,000, an increase of \$4,472,196,000.

This is some \$861,000,000 greater than the estimated budget deficits to the same date, indicating that the excess of expenditure over income was greater than anticipated.

New taxes have been instituted progressively at such times as circumstances have warranted. Up to August, 1923, tax collections exceeded collections for the corresponding period of 1922 by 40 per cent. The budget for 1924 estimates that tax collections during 1924 will yield about 38½ per cent more than the collections in 1923.

Status of National Debt at Close of 1922

The exact status of the debt at the close of 1922, compared with the pre-war and armistice status is shown by the table

on page 236 prepared from official data. The foreign debt is figured at par of exchange. The table does not contain any figures for the pre-armistice war debts of \$928,559,000. To the extent that these debts are unsettled the total debt should be correspondingly increased.

The increase in the funded debt and in the floating debt was for the purpose of making good budget deficits. The new debt for monetary reform was occasioned by the necessity which the government was under of retiring the mark currency forced upon the people during the period of the German occupation.

The indirect debt is for moneys loaned to the railways and other nominally self-supporting services.

The inter-provincial debt was incurred to reimburse the provinces for German levies.

We have already fully discussed the foreign debt.

Up to mid-year 1923 the budget estimates were being borne out by actual revenues and expenditure, therefore when the fiscal results for the year are published it will probably be found that the increase in debt during 1923 was moderate.

Reparation Receipts

Under the terms of the Treaty of Versailles Germany's reparation obligation to Belgium was preferred to the claims of the other allies.

Up to January 1, 1923 Belgium had received from Germany in cash or in kind 1,500,000,000 gold marks, say \$357,000,000. No payments in cash were received during 1923, except the liquidation of certain notes included in the above total. The value of payments in kind received during 1923 has not been published.

THE PUBLIC DEBT OF BELGIUM

(In "Currency" dollars—000 omitted)

	Dec. 31, 1913	Dec. 31, 1918	Oct. 31, 1922
INTERNAL DEBT			
Funded	790,000	791,652	2,034,171
Monetary Reform			
Treasury Bonds in exchange for			
Monetary Bonds		586,786	362,725
Advances from national bank			1,061,500
Treasury Bonds replacing Inter-			
provincial Bonds			92,640
Inter-provincial Debt		453,125	360,486
For War Damages			507,088
Indirect Debt			562,551
Floating Debt	65,000	78,028	892,775
Total Internal	855,000	1,909,591	5,873,936
EXTERNAL DEBT			
Market			
France		10,857	10,857
Great Britain			49,125
United States			100,909
Total Market.		10,857	160,891
Government			
Canada			6,556
France			53,572
Great Britain			68,208
Netherlands			24,167
United States			205,314
Total Government			357,817
Total External	38,000	10,857	518,708
Grand Total Debt	893,000	1,920,448	6,392,644

^aExcluding pre-armistice war debt. See pages 231 and 232.

CHAPTER XIII

Loans for Relief

1918-1923

WHEN the armistice was signed Europe faced important economic problems. Germany and Austria-Hungary were in great need of foodstuffs, especially fats, while quantities of food were still needed for Belgium and northern France. Even victorious England, France and Italy were forced for a time to continue food rationing and for a long time food control.

On the other hand, America had a great surplus of food which had been produced under the stimulus of high prices and had been gathered into warehouses for the use of our armies and the armies and nationals of our allies. The American treasury department took the position that under the Liberty Loan acts the administration was powerless to continue making loans to foreign nations—former allies or recent enemies.

The British took the position that if American financing were to stop immediately, the European governments might find it impossible to go on purchasing food from the United States at war-time prices. On January 8, 1919, the British withdrew their monthly buying orders.

Mr. Hoover, as head of the United States food administration, at once wrote to President Wilson setting forth the seriousness of the situation. He said, in part: "I have cablegrams this morning stating that the whole of the customary monthly orders from the British buying organizations on behalf of the Allied governments has been withdrawn. . . .

The Allied food necessities have been outlined from time to time. . . . Our manufacturers have provided the particular types of manufacture required by each of these governments and have enormous stocks of these materials in hand ready for delivery. . . .

“While we can protect our assurances given producers in many commodities, the most acute situation is in pork products which are perishable and must be exported. We have in January a surplus of about 400,000,000 pounds, and the French, Italian and Belgian relief and other customary orders when restored, will cover 60 per cent of this. The British orders . . . would have been 140,000,000 pounds and covered our deficiency. . . .

“If there should be no remedy to this situation we shall have a debacle in the American markets, and with the advances of several hundred million dollars now outstanding from the banks to the pork products industry, we shall not only be precipitated into a financial crisis but shall betray the American farmer who has engaged himself to these ends. The surplus is so large that there can be no absorption of it in the United States, and, being perishable, it will go to waste. . . .”

In a memorandum for agreement with allied premiers attached to this letter, Mr. Hoover pointed out that it would be impossible to discuss the peace of the world until adequate measures had been taken to alleviate the fear of hunger, its attendant anarchy and its danger of possible further military operations.

“Therefore,” the memorandum reads, “before these peace negotiations can be opened auspiciously, it is essential to have the better feeding of the liberated, neutral and enemy territories of Europe in actual progress, as the foundation of sta-

bility in government antecedent to the settlement of the great problems that will come before the conference."

Mr. Hoover pointed out that in order to support the Allied governments in war, the United States had provided large supplies of foodstuffs, many of them perishable, which would have been required by the Allies had hostilities continued, and that in order to accumulate these supplies assurances and guarantees had been given to producers. Mr. Hoover then indicated that while this surplus was no longer required in its entirety by the Allies it was most fortunate that it was available to meet the necessities of Europe as a whole.

Finally, Mr. Hoover explained where and how this food could be used for the good of Europe—immediate provision should be made for the acute need of the Balkan States, for the liberated peoples of Turkey and Austria, also for Belgium and Poland. Food should be made available to neutral countries while, foodstuffs should be offered to Germany, "subject to payment therefor and other conditions that the associated governments may impose."

Ray Stannard Baker, in *Woodrow Wilson and World Settlement*, states that the President acted at once; that new co-operative arrangements were made with the European governments whereby the allied nations were to continue their purchases at war prices, but were to be allowed to resell to neutral and enemy countries, the proceeds to apply to further purchases in the United States. There was the further understanding that if this arrangement did not take care of the situation, "the United States treasury will advance the necessary amounts to pay therefor in the usual manner."

Thus it was, notwithstanding evident hesitation on the part of the treasury and doubt as to the powers of the secretary in the premises, that loans to foreign governments were

continued by the United States government until late in 1920.

At the date of the armistice, our loans totalled \$7,077,-115,000. When all loans had ceased, September 28, 1920, the total had reached \$9,466,283,000. Thus in a period of two years of peace, the loans had increased in the great sum of \$2,389,168,000. Of this amount \$295,467,000 represented accrued interest, therefore the actual increase was about two billion dollars. About one-half of this amount seems to have gone to clear up war accounts. The balance, and more than another billion dollars obtained from other resources, appears to have been spent by foreign governments in the United States during these two years for food and other supplies.

The total post-armistice loans of all the Allied and Associated Powers aggregated \$6,661,373,000. Of this amount possibly one-half may represent simply accrued unpaid interest added to the \$21,599,717,000 loans as they stood on or about armistice day. Loans directly earmarked as for relief and reconstruction total just under two billion dollars. These loans were made by four nations to eighteen nations. The lenders were France, Italy, Great Britain and the United States. The large borrowers in alphabetical order were Austria for \$153,424,000; Belgium for \$308,244,000; Czechoslovakia for \$263,246,000; Poland for \$420,200,000, and the Serb-Croat-Slovene State for \$551,758,000.

Clause 26 of the Armistice Agreement stated that "the Allies and the United States contemplate the provisioning of Germany during the armistice as shall be found necessary." It was not until the middle of the following March that the Allies could agree among themselves as to how this was to be done. Then arrangements were made to sell Germany for

cash \$200,000,000 worth of provisions. There appears to have been no loan in connection with this transaction.

INTER-NATION LOANS FOR RELIEF AND RECONSTRUCTION

AMOUNT DUE IN 1923

(In Currency *dollars*—000 omitted)

LENDERS	Great Britain	France	Italy	United States	Total
Borrowers					
Armenia	\$4,487	.....	.....	14,263	18,750
Austria	62,308	96	62,634	28,386	153,424
Belgium	43,794	.....	.....	264,450	308,244
Czecho-Slovakia . . .	6,715	110,782	34,843	110,906	263,246
Esthonia	1,221	2,026	.....	16,789	20,036
Finland . . . . .	.....	.....	.....	9,000	9,000
France . . . . .	.....	.....	.....	143,137	143,137
Franco-Polish . . . .	.....	.....	2,443	.....	2,443
Germany . . . . .	.....	.....	5	.....	5
Hungary	626	193	.....	1,989	2,808
Latvia	98	2,219	.....	6,032	8,349
Liberia . . . . .	.....	.....	.....	31	31
Lithuania	82	1,158	.....	5,978	7,218
Poland	20,223	203,808	13,698	182,471	420,200
Roumania	11,297	.....	.....	28,292	39,589
Russia . . . . .	.....	92,640	237	5,177	98,054
Serb-Croat-Slovene . .	10,389	346,435	236	61,587	418,647
Ukraine . . . . .	.....	.....	8	.....	8
Total	161,240	759,357	114,104	878,488	1,913,189

CHAPTER XIV

Payments Under the Treaty of Versailles

THE payments required from Germany by the Treaty of Versailles may be concisely summed up as follows:

Payments for supplies of food and raw materials . . . essential to enable Germany to meet her obligations in respect of reparation.

The cost of the armies of occupation subsequent to the armistice of November 11, 1918.

All sums borrowed by Belgium from Allied and Associated Powers up to November 11, 1918, with interest at the rate of 5 per cent. per annum.

Reparations proper.

The Return of War Loot

In addition Germany was obligated to effect restitution in cash "of cash taken away, seized or sequestered, and also restitution of animals, objects of every nature and securities taken away, seized or sequestered."

Much of the perplexity which has arisen as to the payments that have been made by Germany is due to confusing payments under these various headings. Manifestly the return of war loot is not in any sense a payment and yet in many statements emanating from German sources the payments under the first four heads above mentioned have been swollen by estimates of the values of returned stolen property.

The Amount of Reparation

The amount which Germany was to pay for reparation proper was not stated in the treaty but was left open to be

finally determined by the Reparation Commission by May 1, 1921.

On that date the Reparation Commission set the amount at 132,000,000,000 gold marks (\$31,416,000,000); plus the amount of Belgium's pre-armistice war debt to her allies which was afterwards assessed at 5,624,000,000 gold marks (\$1,338,512,000).

Purposes for Which Reparations are to be made

Article 232 of the Treaty of Versailles after stating in the first paragraph that "the Allied and Associated Governments recognize that the resources of Germany are not adequate to make complete reparation for all such loss and damage" provides in the second paragraph that Germany "will make compensation for all damage done to the civilian population of the Allied and Associated Powers and to their property during the period of the belligerency of each" power.

The damages for which compensation may be claimed from Germany are defined by Annex I of the treaty as follows:—

- (1) Damage to injured persons and to surviving dependents by personal injury to or death of civilians caused by acts of war. . . .
- (2) Damage . . . to civilian victims of acts of cruelty . . . and to the surviving dependents of such victims.
- (3) Damage . . . to civilian victims of all acts injurious to health, or capacity to work, or to honor, as well as to the surviving dependents of such victims.
- (4) Damage caused by any kind of maltreatment of prisoners of war.
- (5) As damage . . . all pensions and compensation in the nature of pensions to naval and military victims of war (including members of the air force) . . . and to the dependents of such victims, the amount due to the Allied and Associated Governments

being calculated for each of them as being the capitalized cost of such pensions and compensation at the date of the coming into force of the present treaty on the basis of the scales in force in France at such date.

- (6) The cost of assistance . . . to prisoners of war and to their families and dependents.
- (7) Allowances by the Governments of the Allied and Associated Powers to the families and dependents of mobilized persons . . .
- (8) Damage caused to civilians by being forced by Germany or her allies to labor without just remuneration.
- (9) Damage in respect of all property . . . , with the exception of naval and military works or materials, which has been seized, injured or destroyed by the acts of Germany or her allies. . . .
- (10) Damage in the form of levies, fines and other similar exactions imposed by Germany upon the civilian population.

In Annex III of the treaty Germany recognizes the right of the Allied and Associated Powers to the replacement, ton for ton (gross tonnage) and class for class, of all merchant ships and fishing boats lost or damaged owing to the war. The methods by which this provision of the treaty shall be carried out are specified in great detail.

Annex IV requires Germany to "devote her economic resources directly to the physical restoration of the invaded areas" and defines how this shall be done.

Annex V deals with the delivery of coal while Annex VI requires Germany to deliver such quantities and kinds of dyestuffs and chemical drugs as the Reparation Commission may require.

Assessing the Damages

In due course the several Allied and Associated Powers made up their bills against Germany and submitted their claims to the Reparation Commission.

The commission, in a report dealing with its work from 1920 to 1922, inclusive, points out the many difficulties involved in analysing the claims and states that "the procedure followed by the commission (in determining the amount to be paid by Germany) was such that it is not possible to say which of the items figuring in the claims were submitted to reduction and to what degree."

The commission points out that as the claims were stated in many different currencies, in some cases in 1914 values and in others in their values as at the time the claims were submitted, or their supposed values at the time of reconstruction, it was a matter of very great difficulty to convert the claims into gold marks.

How the Amount to be Paid by Germany Was Determined

Under the circumstances of the case the commission finally decided to determine "the gross total of the damages inflicted by Germany and her allies, without arriving at separate totals either for the damages suffered by individual countries, or for specific categories of damage."

The Amount Assessed

On April 27, 1921, the commission announced its decision as follows:

"The Reparation Commission, in pursuance of the stipulations of Article 233 of the Treaty of Versailles decided unanimously to fix at 132 milliard marks gold (\$31,416,000,000) the amount of the damage for which reparation was due from Germany under Article 232, paragraph 2, and Annex I of Part VIII of the said Treaty.

CONDENSED STATEMENT OF GERMANY'S OBLIGATIONS AS REPORTED BY REPARATION COMMISSION

DECEMBER 31, 1922

(aIn gold dollars—000,000 omitted)

I.—PRE-REPARATION OBLIGATIONS TO APRIL 30, 1921

AMOUNTS DEBITED		AMOUNTS CREDITED	
Coal Advances	93	Deliveries Nov. 11, 1918, to April 30, 1921	617
Net Cost of Armies of Occupation, April 30, 1921 (including U. S. Army, \$240,856,000)	745	Receipts between May 1, 1921, to December 31, 1922	7
Provision for Inter-Allied Com- missions of Control to April 30, 1921	3	Balance still due December 31, 1922	217
	<u>841</u>		<u>841</u>

2.—CAPITAL DEBT

Amount of Reparation Obligations as fixed	31,416	(a) Cessions of Properties	
Allies' Loans to Belgium	1,338	Poland	423
		Saar	95
		Dantzig	74
		Kiaochow	14
		Others	2
			<u>608</u>
		(b) Further items to be credited	
		1. Property in Upper Silesia ceded to Poland	
		2. Property ceded to Me- mel (if any)	
		3. Other Credits under Ar- ticle 243	
		4. Sums received from other ex-Enemy Pow- ers	
		Balance of Debt before Amortization	32,146
	<u>32,754</u>		<u>32,754</u>
Balance of Debt before Amor- tization brought down	32,146	German Treasury Bonds	
Less Amounts of "A" Bonds due to be amortized as at May 1, 1922	28	Series "A"	2,827
		Series "B"	9,044
		Series "C"	19,516
	<u>32,118</u>	bBalance of Debt not covered by Bonds	731
		Amount of Debt Outstanding	32,118

aOriginal in gold marks; converted at 23.8 cents.

bThe final closing of this account either by further "C" Bonds or by cancellation of a part of those already issued necessarily awaits values for items b-1-4 above.

“In fixing this figure the commission had left out of account that amount of damages in respect of which restitution had been or was to be made in execution of Article 238, and no credit would consequently be due to Germany on account of such restitutions.

“The commission did not include in the above figure the sum representing the further obligation incumbent on Germany in terms of the third paragraph of Article 232, ‘to make reimbursement of all sums which Belgium has borrowed from the Allied and Associated Governments up to 11th November, 1918, together with interest at the rate of 5 per cent. per annum on such sums.’ ”

Apportionment of Reparation Payments

The inability of the Reparation Commission to determine the amount to be paid each power out of receipts from Germany apparently was anticipated by the Allied and Associated Powers for, in July, 1920, their representatives met at Spa and agreed that receipts on reparation account should be pro-rated among them as follows: France, 52 per cent; British Empire, 22 per cent; Italy, 10 per cent; Belgium, 8 per cent; Japan and Portugal each $\frac{3}{4}$ of 1 per cent. The remaining $6\frac{1}{2}$ per cent was reserved for the Serb-Croat-Slovene State and for Greece, Roumania and other powers not signatories to the agreement. No provision was made for any payment to the United States.

The Account Stated

The status of Germany's obligation on December 31, 1922, as officially reported by the Reparation Commission is shown on the opposite page. In an official communique issued by the commission under date of October 5, 1923, it is

stated that the accounts have undergone "few and unimportant changes since the beginning of the current year."

Payments Made by Germany

The payments made by Germany up to June 30, 1923, are officially stated by the Reparation Commission to have been as follows:

PAYMENTS BY GERMANY AS REPORTED BY REPARATION COMMISSION

To JUNE 30, 1923

(aIn gold *dollars*—00,000 omitted)

Cash	452,2
Deliveries in Kind	
Ships	177,0
Rolling Stock	207,0
Abandoned War Materials	79,0
Coal, Coke and Lignite	237,0
Livestock	40,0
Dyestuffs	15,0
Miscellaneous	136,9
	891,9
State Properties in Ceded Territories (excluding Upper Silesia Plebiscite area)	608,0
Total Payments by Germany	1,952,1
Miscellaneous Receipts	2,7
Grand Total	1,954,8

aOriginal in gold marks which we have converted at 23.8 cents.

The distribution of Germany's payments among the several Allied and Associated Powers up to June 30, 1923, as officially reported by the Reparation Commission was as set forth in the table on the next page.

DISTRIBUTION OF GERMANY'S PAYMENTS AS REPORTED BY REPARATION COMMISSION

To JUNE 30, 1923

(aIn gold dollars—00,000 omitted)

NATIONS	For Repayment of 1920 Coal Loans to Germany	^b For Cost of Armies of Occupation ^c And Commission of Control	For Exchange Profit	Balance Available for Reparation	Total
Belgium	7,3	58,6	.....	345,9	411,8
Czecho-Slovakia . . . . .	.....	.....	.....	5,4	5,4
France	56,8	314,4	0,5	57,6	429,3
Great Britain	22,3	229,4	0,2	46,8	298,7
Greece . . . . .	.....	.....	.....	3,0	3,0
Italy	6,9	2,6	.....	71,1	80,6
Japan . . . . .	.....	0,2	.....	16,1	16,3
Poland . . . . .	.....	.....	.....	3,6	3,6
Portugal . . . . .	.....	.....	.....	2,8	2,8
Roumania . . . . .	.....	.....	.....	7,6	7,6
Serbia . . . . .	.....	.....	.....	48,6	48,6
Total	93,3	605,2	0,7	608,5	1,307,7

SUSPENSE ACCOUNTS

(a) Deliveries in Kind

Portion of Value of Ships	93,6	
Submarine Cables	11,6	
Miscellaneous	21,8	
		127,0

(b) Ceded Property and Portion of German Public Debt

Poland	422,6	
Danzig	73,7	
Portion of Value of Saar Lines	23,8	
		520,1
		1,954,8

^aOriginal in gold marks; converted at 23.8 cents.

^bNothing included in this settlement for United States army costs—\$255,181,934, October 31, 1922.

^cIn the absence of definite information, no account has been taken of an amount of \$1,166,200 relative to cost of Commission of Control.

Germany's View Point

We have been furnished by the German government with a statement entitled "Execution of the Versailles Treaty, its Preliminary and Subsequent Agreements from November 11, 1918, to September 30, 1922."

The statistics in this statement are in gold marks and are summarized as follows. We have converted the gold marks into dollars at 23.8 cents to the mark.

GERMAN PAYMENTS AND DELIVERIES

GERMAN OFFICIAL STATEMENT

NOVEMBER 11, 1918, TO SEPTEMBER 30, 1922

(In gold *dollars*—000,000 omitted)

From:

I. Deliveries from Materials on Hand	6,996
II. Payments and Deliveries from National Capital and Current Production	2,645
III. Cash Payments	509
IV. Other Payments and Deliveries chiefly in connection with scrapping the naval vessels	802
	10,952
V. Expenditures and Losses within Germany	2,495
Total	13,447

The statement concludes "If, to this total, the value of Alsace-Lorraine, of the German colonies, and of the purely military material in various evacuated territories be added the figure representing Germany's total payments and deliveries runs well above 100 billion (\$23,800,000,000) gold marks."

In the foregoing statement sections I, II and III appear to include the items taken into the accounts of the Repara-

tion Commission although part of the items in these sections include payments with which the accounts of the Reparation Commission are not concerned.

For purposes of comparison we have re-arranged the German statement on the lines of the statement of the Reparation Commission, excluding all items representing property or claims forfeited by the terms of the treaty. We have also excluded items representing the estimated value of property delivered in substitution for war loot.

The statement as thus revised shapes up as follows:—

EXECUTION OF THE TREATY OF VERSAILLES

NOVEMBER 11, 1918, TO DECEMBER 31, 1923

(In gold *dollars*—000,000 omitted)

Nature of Payments	German Viewpoint		Reparation Commission's Viewpoint	
Cash	509		452	
Payments in Kind				
Ships	1,433		177	
Railroad Material	533		207	
Abandoned War Materials	452		79	
Coal	555		237	
Live Stock			40	
Dye-stuffs			15	
Miscellaneous	124	3,097	137	892
State Properties in Ceded Territories				608
Property of the Reich and of the States	1,347			
Saar Mines	242			
Cables	19	1,608		
Total Payments	5,214		1,952	

It will be noted that one of the principal differences has to do with the valuation placed upon the ships. There is also evidence that the commission and the Germans hold widely

different opinions as to what valuation should be placed upon the other payments in kind and the value of state properties in ceded territories.

The items which we have excluded from the comparison are as follows:

ITEMS EXCLUDED FROM COMPARATIVE STATEMENT

(In gold *dollars*—000,000 omitted)

From Section I

Railroad and pontoon bridges over the Rhine	2	
Shares in Morocco State Bank	93	
German property liquidated abroad	2,794	
Germany's claims on her former allies	2,047	
		<u>4,936</u>
All of Section IV		802
All of Section V		<u>2,495</u>
Total Excluded Items		8,233

Unquestionably all of these items represent losses from the German point of view but not a transfer of property which could be applied to paying reparations. For example, Section V—"Expenditures and Losses Within Germany" has chiefly to do with the loss suffered by disarmament, while the principal item under Section IV is the estimated value of the naval vessels delivered to the Allies. It is conceivable that the item "German property liquidated abroad" which we have excluded from Section I may to some extent be a realizable asset, but obviously the other large item excluded from this section "Germany's claims on her former allies ceded in accordance with the Peace Treaty" is utterly valueless.

Belgium's Priority Rights

We have discussed already on pages 227 and 228 the status of the pre-armistice advances made to Belgium by France, Great Britain and the United States.

Inter-allied agreements exist giving Belgium, subject to various conditions, a priority on satisfaction of her reparation claim up to the amount of about \$480,000,000, after the costs of the armies of occupation have been met.

In Conclusion

Enough has been elucidated in connection with this matter of reparation and other payments and property transfers under the terms of the Treaty of Versailles to indicate the great complexity of the questions involved. It is evident that they are questions requiring for their proper handling and solution great tactfulness, unlimited patience and excellent judgment.

CHAPTER XV

The Status of National Debts in 1923

UNFORTUNATELY the reports of receipts and expenditures of many nations since the close of the period of war financing are quite incomplete. Great Britain and the United States have regularly published their usual statements and this is true in a general way of the British dominions, although some of the latter have changed their methods of reporting. No doubt the changes in accounting are wise; but they are destructive, or partially so, of comparative reports. Some of the dominions have been slower than usual in publishing their statements. Some of the continental nations also have changed the form of their accounting and are publishing only partial statements.

Under the circumstances, we have found it impossible for this period to present a consolidated statement in the form adopted for the pre-war and war periods.

In a general way, it may be noted that Great Britain and the United States have absolutely balanced their budgets, stopped borrowing, except for refunding purposes, and reduced taxation. This has been possible because expenses likewise have been substantially reduced. Of the former continental allies, Belgium, France and Italy have each had to meet reconstruction problems of great magnitude which simply could not be taken care of entirely from taxation. As a result, their debts each year have become more burdensome. This state of affairs is due largely to the failure of Germany to meet her reparation payments.

On or about June 30, 1923, the national debts of five of the leading participants in the Great War stood as follows:

I—NATIONAL DEBTS OF THE GREAT POWERS

JUNE 30, 1923

(In dollars—000,000 omitted)

NATIONS	DEBT, CURRENCY BASIS					DEBT, c" 1913" BASIS				
	^a Internal	^b FOREIGN			Grand Total	In- ternal	FOREIGN			Grand Total
		Mar- ket	Gov- ern- ment	Total			Mar- ket	Gov- ern- ment	Total	
France	59,058	2,387	19,228	21,615	80,673	14,440	584	4,701	5,285	19,725
^d Great Britain	32,384	281	5,560	5,841	38,225	20,759	180	3,564	3,744	24,503
Italy	18,534	43	18,550	18,593	37,127	3,263	8	3,265	3,273	6,536
United States	22,350	.....	.....	.....	22,350	14,608	.....	.....	.....	14,608
^d Germany	1,969,142	.....	.....	.....	1,969,142	406	.....	.....	.....	406

^aDebt at face of the books done into dollars at par of exchange.^bForeign debts at face value adjusted to currency values at ratio of New York Exchange on June 26, 1923, to par of exchange, e.g. 6.127 cents per franc, the rate of exchange, divided into 19.3 cents, the par of exchange equals 3.15 times; therefore the French foreign debt in dollars at par of exchange is multiplied by 3.15 to determine the amount on a currency basis. Similar adjustments are made for the other nations.^cObtained by dividing the debt of each nation on "Currency" basis by the wholesale price index number of the nation for the month of June, 1923.^dFigures are for year ending March 31, 1923.

II—NATIONAL DEBTS AND INTEREST CHARGE OF THE GREAT POWERS

vs.

NATIONAL WEALTH AND NATIONAL INCOME

JUNE 30, 1923

(In "1913" dollars—000,000 omitted)

NATIONS	Debt	National Wealth	Debt % Wealth	^a Interest Paid and Accrued in Fiscal Year 1922-23	National Income	Interest % Income
France	19,725	57,900	34.07	799	7,000	11.41
^b Great Britain	24,503	70,000	35.00	1,017	10,000	10.17
Italy	6,536	21,250	30.76	210	3,400	6.18
United States	14,608	230,000	6.35	676	31,000	2.18
^b Germany	406	55,000	.74	37	7,000	.53

^aIn most cases interest was not paid on the inter-nation or "government" debts. However, we have added to the amount paid on market debts the amount which accrued during the year on the government debts. Figures in this column were obtained by dividing the interest charge of each nation on "currency" basis by the average wholesale price index number for the fiscal year.^bFigures are for year ending March 31, 1923.

Comparing the debts expressed in "1913" dollars with national wealth and national income similarly expressed, we arrive at the statement as shown in Table II on page 255.

Reducing these figures to a per capita basis, the story is as follows:

III—PER CAPITA STATUS—NATIONAL DEBTS OF THE GREAT POWERS

JUNE 30, 1923

(In "1913" dollars)

Population (In millions)	NATIONS	Debt Per Capita	Wealth Per Capita	Interest Charge Per Capita	Income Per Capita
39	France	505.77	1484.61	20.49	179.47
47	aGreat Britain	521.34	1489.36	21.64	208.33
40	Italy	163.40	531.25	5.25	85.00
110	United States	134.02	2090.91	6.15	281.82
61	aGermany	6.65	901.64	.61	114.75

aFigures are for year ending March 31, 1923.

Statistics for other nations whose statements are available are given in Statistical Tables Nos. XXI, XXII and XXIII.

Germany Repudiates Debt

Although the debt of Germany in currency had reached nearly two trillion dollars in March, 1923, yet in "1913" dollars it amounted to the negligible sum of \$406,000,000. On January 31, 1924, Germany officially repudiated her debt. The correspondent of the *New York Times* advised his paper by wireless on that day that "all German government bonds, war loan and similar obligations were wiped off the books, the government decreeing that the Reich is freed from paying either the principal or interest of public debts, 'at least until all reparation payments have been made.'"

Other Acts of Repudiation

As we have seen, the Russian debt was "settled" in the same summary manner in 1917.

The Austrian and Hungarian war debts have been apportioned among the successor states. How the holders will finally fare in regard to these debts remains to be seen.

The Inter-Nation Debts in 1923

As of about November, 1923, the nations of the world, some thirty odd, owed to six of their number in currency \$28,261,000,000. In some cases nations were both borrowers and lenders, *e.g.* Great Britain was lending \$11,171,422,000 and was borrowing \$6,489,492,000; France was lending \$3,463,744,000 and borrowing \$7,020,616,000; Italy was lending \$389,988,000 and was borrowing \$4,747,527,000; the United States was lending \$11,861,010,000 and had an unadjusted account with Italy for \$2,750,000.

The figures for each borrower and lender are set forth in Statistical Table XXVI. Of this great indebtedness, the only accounts in regard to which final arrangements for payment have been reached are those between Great Britain and her dominions and the debts of Great Britain and Finland to the United States.

The American Settlement with Great Britain

The debt of Great Britain to the United States in accordance with the terms of an agreement arrived at on June 19, 1923, was settled as follows:

Issue of Long-Time Obligations: The British government issued to the United States government bonds for a principal sum of \$4,600,000,000. These bonds are dated December 15,

1922, and mature December 15, 1984. Interest is payable semi-annually on June 15 and December 15 at the rate of 3 per cent a year from December 15, 1922, to December 15, 1932, and thereafter at the rate of $3\frac{1}{2}$ per cent a year.

Method of Payment: The principal and interest of the bonds is payable in United States gold coin, or its equivalent in gold bullion, or at the option of Great Britain, upon not less than thirty days' advance notice indicating the minimum amount which it is contemplated to pay at next due date in gold, cash or available funds, in any bonds of the United States issued or to be issued after April 6, 1917, to be taken at par and accrued interest to the date of payment.

How Interest Payments May be Deferred: Great Britain has the option, by giving not less than ninety days' advance notice of paying one-half of any interest accruing between December 15, 1922, and December 15, 1927, in bonds of Great Britain maturing December 15, 1984, dated and bearing interest from the respective dates when the interest to be paid thereby becomes due and substantially similar in other respects to the original bonds issued in settlement.

Principal Payable in Annual Instalments: The principal is payable in annual instalments on December 15 of each year from 1923 to 1984 inclusive. The amounts due on each date are given in Statistical Table XXVIII.

How Payment of Principal May be Deferred: Great Britain has the right, by giving ninety days' advance notice, to postpone any payment of principal to any subsequent June 15 or December 15, not more than two years distant from its due date, but only on condition that if at any time she shall exercise this option, the payment due in the next succeeding year can not be postponed to any date more than one year distant from the date when it becomes due, unless and until

the payment previously postponed shall actually have been made. The payment falling due in the second succeeding year can not be postponed at all unless and until the payment of principal due two years previous thereto shall actually have been made.

Great Britain has the right to anticipate payments in amounts of \$1,000,000 and multiples thereof.

Exemption from Taxation: The principal and interest of all bonds issued or to be issued under the agreement are exempt from all British taxation, present or future, so long as they are in the beneficial ownership of the United States or of a person, firm, association, or corporation neither domiciled nor ordinarily resident in the United Kingdom.

Exchange for Marketable Obligations: The agreement between the two nations contains the important provision that Great Britain will issue to the United States at any time or from time to time, at the request of the secretary of the treasury, in exchange for the bonds originally issued, definitive engraved bonds in form suitable for sale to the public.

The United States, before offering any such bonds for sale in Great Britain is obligated first to offer them to the British government for purchase at par and accrued interest and Great Britain has the further option, in lieu of issuing to the United States any such bonds, to make advance redemption, at par and accrued interest, of a corresponding amount of the bonds already issued to and held by the United States under the agreement.

Amount of Indebtedness: The way in which the total amount due from Great Britain to the United States was arrived at is shown by the table on page 260.

AMOUNT OF BRITISH INDEBTEDNESS FUNDED

In dollars

Principal amount of demand obligations to be funded .	\$4,074,818,358	
Interest accrued thereon from April 15 and May 15, 1919, respectively, to December 15, 1922, at the rate of $4\frac{1}{4}$ per cent per annum	\$629,836,106	
Less payments made by Great Britain on October 16 and November 15, 1922, on account of interest, with interest thereon at $4\frac{1}{4}$ per cent per annum from said dates, respectively, to De- cember 15, 1922	100,526,379	529,309,727
Total principal and interest, accrued and unpaid, as of December 15, 1922	\$4,604,128,085	
Paid in cash by Great Britain, March 15, 1923 .		4,128,085
Total indebtedness funded into bonds of Great Britain	\$4,600,000,000	

CHAPTER XVI

The Wealth and Income of the Belligerents

AS shown in detail by the accompanying tables, the aggregate pre-war wealth of the active belligerents in the Great War approximated \$630,060,000,000. Their pre-war national income approximated \$93,050,000,000. From these statements we have excluded any estimate of the wealth or income of belligerents who did not take part in the war in a military way, either on land or sea. This qualification is necessary because it will be remembered that as the war progressed many nations allied themselves with one side or the other, but were not called upon to take any active part in obtaining the decision.

The pre-war wealth of what were known as the Allied and Associated Powers was considerably in excess of the wealth of what were known as the Central Powers. The national wealth of the former group amounted to \$506,560,000,000 or 80.39 per cent. of the total and the latter to \$123,500,000,000 or 19.61 per cent. of the total.

The same state of facts is true in regard to the national income of the belligerents. The national income of the Allied and Associated Powers amounted to \$76,750,000,000 or 82.23 per cent of the total, while the income of the Central Powers was \$16,300,000,000 or 17.47 per cent of the total.

Contrary to what might be thought on the first review of the situation, the cost of the war did not result in any important reduction in the total wealth of the belligerents, but rather in a redistribution of wealth. We have shown in a previous chapter that the cost of the war, on a pre-war purchasing power basis of value, aggregated \$80,681,000,000.

There should be added to this amount the value of the destroyed property, especially that in the north of France and in Belgium, much of which never can be replaced because of its historic association.

The direct cost of the war was unquestionably met during the progress of hostilities, and in the clean up afterward, from the earnings of the peoples of the various countries actively engaged. Therefore, we arrive at the conclusion that the total post-war wealth of the world is substantially the same as the pre-war wealth. As a result of careful estimates we place the post-war wealth on a gold basis at \$619,050,000,000.

However, while it is true that the wealth of the world was not materially changed as a result of the war, we find a different state of facts in regard to the income. This is because of the dislocation of industry throughout the greater part of the world, because of the loss of men during the war, because of the fact that factories were reorganized for war purposes and had to be changed back before they could be utilized; because of the inability of the people immediately after such a cataclysm as they had gone through, to settle down again to their daily working routine. Then again the change in the political affiliations of millions of people and the antagonisms against each other which the war aroused, also led to a dislike for work and an inability to set to work again. All these facts make it extremely difficult to make an estimate of the post-war income of the former belligerent nations. We have tentatively adopted a figure of \$81,700,000,000 gold, as representing the probable post-war national income of the former belligerents.

The post-war wealth may be roughly distributed \$543,550,000,000, gold, to the former Allied and Associated Powers, and \$75,500,000,000, gold, to the former Central Powers; say

NATIONAL WEALTH

ALLIED AND ASSOCIATED POWERS AND CENTRAL POWERS

(In "1913" dollars—000,000 omitted)

NATIONS	Popula- tion 1914 In Millions	PRE-WAR WEALTH		Popula- tion 1923 In Millions	POST-WAR WEALTH	
		Amount	Per Capita Actual Figures		Amount	Per Capita Actual Figures
ALLIED AND ASSOCIATED POWERS						
British Empire						
Great Britain	46	70,000	1,521.74	47	70,000	1,489.36
Australia	5	8,600	1,720.00	5	9,000	1,800.00
Canada	8	14,650	1,831.25	9	15,000	1,666.67
India	244	30,000	122.95	247	35,000	141.70
New Zealand	1	1,860	1,860.00	1	2,000	2,000.00
Union South Africa . . .	6	5,000	833.34	7	6,000	857.14
Crown Colonies, Protec- torates, etc.	38	10,000	263.16	40	12,000	300.00
Total British Empire .	348	140,110	402.61	356	149,000	418.54
Belgium	8	5,750	718.75	7	5,000	714.28
France	40	57,900	1,447.50	39	57,900	1,484.61
Greece	5	2,750	550.000	5	2,500	500.00
Italy	36	21,800	605.55	40	21,250	531.25
Japan	53	11,650	220.07	56	15,000	267.86
Portugal	6	2,400	400.00	6	2,400	400.00
Rumania	7	3,500	500.00	17	10,000	588.23
Russia	174	58,400	335.65	132	45,000	340.91
Serbia	5	2,300	460.00	11	5,500	500.00
United States	98	200,000	2,061.85	110	230,000	2,090.91
Total Allied and Asso- ciated Powers . . .	780	506,560	649.43	779	543,550	697.75
CENTRAL POWERS						
Austria Hungary	50	30,000	600.00	27	14,000	518.51
Bulgaria	5	2,500	500.00	5	2,500	500.00
Germany	68	80,500	1,183.82	61	55,000	901.64
Turkey	21	10,500	500.00	8	4,000	500.00
Total Central Powers	144	123,500	857.63	101	75,500	747.52
Grand Total	924	630,060	681.88	880	619,050	703.46

aPer capita figure excluding India, \$1,058.75.

bPer capita figure excluding India, \$1,046.04.

cSuccessor states: Austria, Hungary, Czecho-Slovakia.

dSerb-Croat-Slovene State.

87.80 per cent to the former and 12.20 per cent, to the latter. The income may be distributed, \$71,950,000,000, gold, to the former Allied and Associated Powers and \$9,750,000,000, gold, to the former Central Powers; 88.07 per cent to the Allies and 11.93 per cent to the Teutonic group.

Foreign Investments of the Nations

It is difficult to summarize the amount of money which before the war was invested by European countries in foreign lands. In the following pages we have dealt with this matter for each country.

It may be of interest to note here the characteristic forms of these foreign investments of the creditor countries of Europe.

The English placed their foreign investments chiefly in their dominions and colonial possessions and in the less developed countries of the world;—in South America, Asia and Africa; and also to some extent in Russia. While they purchased substantial amounts of national, municipal and corporate securities, they promoted many industrial, public service and transportation enterprises, organizing corporations for this purpose which they actively operated, giving the preference to large enterprises.

The French invested in government securities and large industrials that would provide them a steady income, but as a rule did not take an active part in the operation of the enterprises in which they invested.

Germany placed relatively but little money abroad, except in connection with her banking interests which were extensive, but she played a most important part as a manager and director of business enterprises. At the same time she was drawing on other countries for the development of her own resources.

NATIONAL INCOME

ALLIED AND ASSOCIATED POWERS AND CENTRAL POWERS

(In "1913" dollars—000,000 omitted)

NATIONS	Popula- tion 1914 In Millions	PRE-WAR INCOME		Popula- tion 1922 In Millions	POST-WAR INCOME	
		Amount	Per Capita Actual Figures		Amount	Per Capita Actual Figures
ALLIED AND ASSOCIATED POWERS						
British Empire						
Great Britain	46	10,900	236.95	47	10,000	212.76
Australia	5	1,300	260.00	5	1,300	260.00
Canada	8	2,000	250.00	9	2,400	266.67
India	244	3,000	12.29	247	3,500	14.17
New Zealand	1	300	300.00	1	360	360.00
Union South Africa . . .	6	800	133.33	7	900	128.57
Crown Colonies, Protect- orates, etc.	38	1,500	39.47	40	1,500	37.50
Total British Empire .	348	19,800	56.90	356	19,960	56.07
Belgium	8	1,100	137.50	7	900	128.57
France	40	7,300	182.50	39	7,000	179.49
Greece	5	330	66.00	5	300	60.00
Italy	36	3,900	108.33	40	3,400	85.00
Japan	53	1,600	30.19	56	2,000	35.71
Portugal	6	240	40.00	6	240	40.00
Rumania	7	350	50.00	17	1,000	58.82
Russia	174	7,500	43.10	132	5,600	42.10
Serbia	5	230	46.00	11	550	50.00
United States	98	34,400	351.02	110	31,000	281.82
Total Allied and Asso- ciated Powers	780	76,750	98.39	779	71,950	92.36
CENTRAL POWERS						
Austria-Hungary	50	4,500	90.00	27	2,100	77.78
Bulgaria	5	250	50.00	5	250	50.00
Germany	68	10,500	154.41	61	7,000	114.75
Turkey	21	1,050	50.00	8	400	50.00
Total Central Powers	144	16,300	113.19	101	9,750	96.53
Grand Total	924	93,050	100.70	880	81,700	92.84

*a*Per capita figures excluding India, \$161.54.*b*Per capita figures excluding India, \$151.01.*c*Successor States:—Austria, Hungary, Czecho-Slovakia.*d*Serb-Croat-Slovene State.

The Belgians and Swiss were also large investors in enterprises operating abroad. Brussels was to a great extent not only the center for the investments of Belgian capital but a clearing house and intermediary for the investments of other nations, particularly of France.

Since the war, Great Britain with her usual astuteness, notwithstanding greatly unsettled conditions at home, has already begun to make new investments abroad, expecting that as a result of such investments she will bring added industrial activity to her people, and thus help to recoup her position as a world power. France also has followed this same course, notwithstanding the serious state of her home finances. She is known to have invested large sums of money in Austrian and Hungarian business enterprises, and to some extent in the Balkan countries. It is well known that the German industrial leaders have invested such large amounts in Austria, in Hungary, in Czechoslovakia, and particularly in Italy as largely to dominate in these countries important industrial establishments, especially industries engaged in the manufacture of iron and steel.

Similar exchanges between Canada and the United States may be noted. Recent studies of the situation show that industrial leaders in the United States have found it to their advantage to build factories in Canada, and to manufacture goods there for use in Canada, and throughout the British Empire, rather than to manufacture and export from the United States. On the other hand, to some considerable extent, Canadian manufacturers have found it advantageous to come across the boundary and establish manufacturing plants in the United States.

During the war, and since, Japan has found an outlet for a large amount of surplus capital in China.

Large loans have also been made between the different nations to stimulate exports. Among other loans of this nature, may be mentioned those made from time to time during and since the war by South American countries to encourage exports of their products and similar loans made by Canada. It is interesting to note that at one time Canada was loaning to South America while, simultaneously, South America was establishing credits to facilitate exports to England and France.

The most striking change from the pre-war situation is the transfer of the United States from the debtor to the creditor side of the international balance sheet and her entrance into the field as a lender of capital on a large scale to the peoples of foreign lands.

In subsequent chapters dealing with the wealth, income and foreign investments of the respective nations may be found a more detailed discussion of these matters.

The Re-distribution of Wealth Caused by the War

In the opening paragraph of this chapter, reference is made to the fact that the wealth of the former belligerent nations of the Great War had not materially changed as a result of the war, but that there had been a marked re-distribution of such wealth. This re-distribution has taken place not only as between nations, but also as between the peoples within the boundaries of each nation.

As the economists have many times pointed out, while the war was paid for as it was being fought, the method of payment has been adjusted very differently in different countries. Our studies of the situation show that in Great Britain 18.4 per cent of the gold cost of the war was met from taxation and other revenue receipts, 65.4 per cent from borrowing at

home and 16.2 per cent from borrowing abroad. The ratio of the indebtedness of the British government to the total wealth of Great Britain in 1913 was 4.91 per cent, while in 1923 the ratio of indebtedness to wealth is 35 per cent, on the "1913" basis. As we have already seen, the actual wealth of the country in real estate and other tangible assets has not changed materially, but the mortgage on that wealth, if we may use such an expression, held by the owners of the government's debt, has materially changed. The people of the United States may be said to have a lien on Britain's wealth of 4.64 per cent, other foreign creditors of .71 per cent and home investors of 29.65 per cent. On the other hand, except in connection with current banking and trade balances and moderate holdings abroad of consols and other English securities, there were no foreign creditors of Great Britain before the war, and the British holders of the debt therefore had a lien on the national wealth substantially for a full 100 per cent of what was due them which, as already stated, was 4.91 per cent of the wealth.

If now we turn our attention to France, we will find that very much the same readjustment has taken place there. The indebtedness of the French government before the war amounted to 11.4 per cent of the national wealth. Today (1923) the creditors of the French government may be said to have a lien of 34.07 per cent upon the national wealth which may be figured as follows: The United States 4.76 per cent, Great Britain 4.11 per cent, other foreign creditors .26 per cent, and home investors 24.94 per cent. These estimates only disclose one phase of the re-distribution of wealth. For similar analyses for other nations of the relation of public debts to public wealth, reference should be made to Statistical Table XXII.

Many people made large fortunes as a result of the losses and sufferings which their compatriots underwent because of the war. The purchasing power of some classes of the population was steadily reduced during the war, old estates had to be broken up, objects of art sold. The booksellers tell us that great collections of books have come into the market as a result of the war and found new owners. Where paper money inflation has been greatest these changes in wealth have been most serious; such changes, therefore, have been particularly notable in Germany and among the peoples who were citizens of Austria-Hungary. We pass over the Russian situation because the changed conditions there are not due to an economic situation, but to political upheavals. But to come back to Austria-Hungary and Germany, the decline in the purchasing power of the mark and the crown have affected the different classes of the population with great unevenness. The greatest sufferers have been the middle class people, so known on the continent, the professional men and those living on fixed incomes, particularly as they have found it difficult to readjust salaries and incomes to the steadily declining purchasing power of the money unit. To some extent the industrial workers have been able to effect such a readjustment, but it is probably true to say that at no time have wages advanced in proportion to the increased cost of living, notwithstanding all efforts of the trade unions to keep the two things in balance. On the other hand, the industrial leaders have been able to take advantage of the relatively low price of labor to manufacture and sell goods at prices which attracted buyers, but returned the producers abnormal profits.

So we have the picture of some people apparently enjoying great prosperity, living in luxury and wastefulness, while

others of the population are being very careful indeed in their expenditures. Then we see still others actually suffering for food, clothing and fuel—among them those who by persistent saving had built up capital reserves, those who had inherited wealth, and even those who had been devoting themselves to studies which had made possible the great industrial development of these countries.

If the re-distribution of wealth within national boundaries has been important, so also has been the re-distribution of wealth between nation and nation. We have already noted the losses which France suffered in the north but which have to some extent been offset by regaining Alsace-Lorraine from Germany. Since the peace treaty, Germany has also lost other parts of her territory, but the re-distribution in Central Europe and Russia has been particularly notable. The dismemberment of the Austro-Hungarian Empire, and the re-distribution of territory in the Balkans has brought about notable changes in wealth as between nations. We have already noted above the changed position of the United States as a world power from the investment point of view.

CHAPTER XVII

The Wealth and Income of the British Empire

IN 1903, Sir Robert Giffen, the great English statistician, estimated the wealth of the British Empire at the equivalent of \$108,513,000,000. According to the most reliable estimates, the wealth of the British Empire in 1913 amounted to \$140,110,000,000. We estimate today, at the close of 1923, the end of another decade—the decade during which the World War was the dominating event—that the wealth of the British Empire, on a gold basis, amounts to around \$149,000,000,000.

From 1903 to 1913 the apparent increase in the wealth of the empire was \$31,597,000,000 or about 29 per cent. However, during this decade prices increased substantially so that the real increase in wealth may not have been more than about 15 per cent.

From 1913 to 1923 our estimates indicate an increase of \$8,890,000,000, say 6.34 per cent.

Measured on a per capita basis the average national wealth of the peoples composing the British Empire was \$335.64 in 1903—or adjusted to the 1913 price basis, about \$385. The per capita wealth in 1913 was \$402.61 and in 1923, \$418.54.

Thus it is apparent that while there was a substantial growth in total wealth in the twenty years from 1903 to 1923 yet, measured in terms of population, wealth was almost stationary.

In the following table we give the figures in comparative form for the three periods for Great Britain and for each of

the great nations which comprise the British Empire, also very rough estimates for the smaller political units. The native Indian States have not been considered in making these calculations and their populations have been excluded in making per capita estimates.

NATIONAL WEALTH OF THE BRITISH EMPIRE

(In dollars—000,000 omitted)

	1903		1913		1923	
	\$	Per Capita	\$	Per Capita	a\$	Per Capita
Great Britain . . .	72,990	1,758.79	70,000	1,521.74	70,000	1,489.36
Australia.	5,596	1,512.43	8,600	1,720.00	9,000	1,800.00
Canada	6,569	1,216.48	14,650	1,831.25	15,000	1,666.67
India	14,598	62.98	30,000	122.95	35,000	141.70
New Zealand . . .	.....	.....	1,860	1,860.00	2,000	2,000.00
Union South Africa	2,920	561.54	5,000	833.34	6,000	857.14
Crown Colonies	.....	.....	10,000	263.16	12,000	300.00
Remainder of Empire	5,840	163.56	.....	.....	.....	.....
Total	108,513	335.64	140,110	402.61	149,000	418.54

aIn "1913" dollars.

The value of the data upon which the estimates in the table are based varies considerably. For 1913, we have what may be called quite scientific estimates for Great Britain herself, for the Dominion of Canada, and for the Commonwealth of Australia, and a fairly good estimate for New Zealand. The estimate for South Africa is our own based upon a comparison of the income tax statistics and other data. Our figures for India for 1913 and for 1923 are based upon estimates especially made for us by Mr. G. R. Josyer, M. A., President of The Young Citizens' Council, Bangalore, India, an Indian economist.

We do not lay claim to scientific accuracy for our estimates of the present day wealth of the nations composing the British Empire. However, these estimates are the result of the careful weighing of many factors and we believe reflect fairly well the true status.

The Income of the British Empire

We now present an estimate for the three periods in question of the national income of the component parts of the British Empire.

NATIONAL INCOME OF THE BRITISH EMPIRE

(In dollars—000,000 omitted)

	1903		1913		1923	
	\$	Per Capita	\$	Per Capita	a\$	Per Capita
Great Britain . .	8,515	205.18	10,900	236.95	10,000	212.76
Australia. . . .	1,022	276.22	1,300	260.00	1,300	260.00
Canada	1,314	243.33	2,000	250.00	2,400	266.67
India	2,920	12.60	3,000	12.29	3,500	14.17
New Zealand . .	.....	.....	300	300.00	360	360.00
Union South Africa	487	93.65	800	133.33	900	128.57
Crown Colonies .	.....	.....	1,500	39.47	1,500	37.50
Remainder of Empire	973	27.25	.....	.....	.....	.....
Total	15,231	47.11	19,800	56.90	19,960	56.07

aIn "1913" dollars.

An inspection of the table shows that there was apparently an increase in the national income of 1913 of about 30 per cent over Sir Robert Giffen's estimate for 1903. The actual increase when adjusted for price changes was probably not over 15 per cent.

Parenthetically, we may draw attention to the fact that we are not now considering the income of the national treasury, that is to say the receipts of the government with which to meet its expenditures, but the income of the people as a whole.

It will be noted that the per capita income for the entire empire is estimated to have been \$47.11 in 1903 (adjusted to 1913 prices, say \$54); \$56.90 in 1913 and \$56.07 in 1923.

In this case, as in the case of the national wealth, the per capita figures are much reduced because of the great Indian population included in the totals. The per capita income of Great Britain increased from \$205.18 in 1903 (or say \$235 in "1913" dollars) to \$236.95 in 1913, but, as would be expected, fell off in 1923, the figure for that year being \$212.76. With the exception of a slight decline in the case of the Union of South Africa, the dominions do not seem to have lost in per capita income because of the war. We estimate that each dominion has at least held its own or had an actual increase in income since the beginning of the war.

The Foreign Investments of Great Britain

For years the English people have been investing a large portion of their funds in foreign securities, and in foreign countries. The consensus of opinion of those best qualified to make such estimates is that, just before the Great War, the British people had foreign investments amounting to from \$18,000,000,000 to \$20,000,000,000. We are inclined to adopt the larger figure as more nearly correct.

During the early part of the war, before the United States came into the arena with her men and money, these investments were very heavily drawn upon to finance the requirements of Great Britain and her allies for munitions of war

which had to be purchased abroad, chiefly in the United States. It is estimated that during this period \$5,000,000,000 of these investments were sold. Since the war the English people, notwithstanding the need for increased capital at home, perhaps because of such need, again have been lending abroad, thus maintaining their hold upon their foreign markets. Such investments since the war have approximated \$2,000,000,000, bringing the total amount of English capital in use abroad toward the close of 1923 up to around \$17,000,000,000.

The History of England's Foreign Investments

England was a pioneer in the field of foreign investment. She was compelled to seek new outlets for her manufacturing industries and commercial enterprises, or else these industries and her commerce would have atrophied and she would have sunk to the level of a second or third rate power. It will be of interest briefly to review the story of the growth of England's investments in foreign lands during the past half century.

In 1872 the value of the foreign investments of Great Britain was about \$5,500,000,000, bringing in an income of \$325,000,000 a year. We have no knowledge of the exact distribution of this sum either as to countries, or purpose. England at this time was very much interested in Canadian and colonial economic development, and held large sums of United States railroad securities. She also had large Russian holdings. Probably a very small part, or perhaps no part, of this total is attributable to European borrowing.

For the next five years there were no foreign loans of importance. It is probable that there was a decrease in these holdings of some \$500,000,000. It is the habit of the English investor to reinvest the income received by him from foreign

capital, thus increasing his capital placed abroad. During this period, the investors kept their income from foreign investments at home, and this use of profits would effect a decline in the total foreign investments.

About 1876, we find that the Russian securities were being sold to Germany and France. We are not surprised to find this situation because it is quite characteristic of the policy of British investors. The Russian securities were becoming more established; their yield was decreasing; the economic conditions surrounding them were more familiar, and more accessible to the investing public. The history of British investments proves that when securities are no longer speculative and therefore they advance in market value, and the net annual income falls, the English sell them, and enter new enterprises. New enterprises do not necessarily mean risky ventures, but new undertakings about which only the well informed know the details, and the English are careful to keep themselves well informed.

By 1881, it is estimated that the foreign securities held in the United Kingdom amounted to around \$6,250,000,000. This total was divided into, say, \$900,000,000 Indian government and Indian railway loans; \$3,500,000,000 foreign government bonds and corporation stocks; \$1,000,000,000 colonial and foreign railway securities, \$125,000,000 colonial and foreign bank shares and \$725,000,000 colonial government and municipal securities.

After 1883, United States railway securities were not sent to England as the United States was more largely absorbing its own issues. Up to that time American issues had been a very important outlet for the export of English capital. In 1884 South Africa became the scene of gold and diamond discoveries and millions were invested in mines.

By 1886 the South American railway and bank securities held had reached \$290,000,000. These investments were mostly in Brazil and in Argentina. England also was actively developing the economic resources of Australia, building railways, docks and harbors; also investing there in land finance companies and mining companies. In these years, too, her help hastened the growth of Canada, and the Canadian Pacific Railway was in the foreground of capital investments. Indian rails steadily increased in importance in the London market.

The estimate of foreign securities held by the British people in 1890 is \$10,000,000,000, an increase of nearly \$4,000,000,000 in ten years. The estimated income from these investments was around \$457,000,000. This was a period of crisis which stopped the export of capital for several years. The government of Argentina defaulted. There was a revolt in Buenos Ayres. The mining stocks of South Africa fell in value, and there were many failures in Australia. In 1893 the colonies collapsed financially. During this period silver fell rapidly in value, and it is estimated that the British income from India heavily declined because of that fact. The United States also had a very serious financial and political situation because of the decline in the value of silver and these conditions were reflected in poor railway returns. Therefore our securities were sold back to us in large amounts at a great loss to the foreign investors.

The result of all these conditions was that for several years foreign investment ceased. The surplus capital of the United Kingdom, instead of being sent abroad, was used for the development of home railways and industries, while large sums also were invested in home municipal securities.

In the later '90s, the United Kingdom began to sell what

small holdings she possessed on the continent and to transfer the proceeds of these sales to China, to Japan and to foreign and colonial municipals. Again there was speculation in South African and Australian gold mining properties, and Argentine railway securities also were purchased. However, South America never quite regained her former place in the estimation of the English investors. Not until after 1896 did the United States recover. Then her railway securities were purchased in large amounts, but were resold in a few years in New York at a profit for the English investor. On the whole, the rate of increase of foreign investment holdings was slower in this decade due to this crisis period of 1890.

It is estimated that in 1896 England's foreign investments were \$10,500,000,000, about equally divided between her dominions and foreign countries; say, \$5,500,000,000 in the dominions and \$5,000,000,000 abroad. Of this latter amount over \$1,500,000,000 were at work in the United States; \$1,300,000,000 in Central and South America and nearly \$1,500,000,000 in Europe. The other investments were distributed to the remainder of the "four corners of the earth."

During the Boer War (1899 to 1902), the United Kingdom needed all her surplus capital. Her income from abroad then was about \$500,000,000. Foreign government loans in London ceased, and the colonial issues declined. The war stimulated the war industries such as coal, iron and shipbuilding. After the war, we find the \$150,000,000 Transvaal loan successfully floated; also large Canadian and Argentine railway loans being made. Russia was again popular with the English investor. The chief countries drawing funds from London at this time were Canada, the United States, Argentina and Mexico, while Brazil, Chile and other South American countries were important users of British capital.

As we have already noted, by 1913 English investments abroad are estimated to have reached around \$18,000,000,000 to \$20,000,000,000.

England in these last years was just beginning to take an interest in industrial enterprises. The most important loans theretofore had always been for railways. Docks, water and gas works, electric plants and telegraph lines were economic developments for which many of the newer loans were made. It was only in recent times that the English investor had encouraged manufacturing and industrial projects. Such investments were then being made especially in North America, India and Russia.

The geographical distribution of England's foreign investments on the eve of the Great War is estimated to have been in about the same proportions as in 1896; say, not quite 44 per cent to her dominions, about 44 per cent to foreign nations and about 12 per cent, difficult to allocate geographically, invested in foreign shipping, banking, brokerage and insurance operations.

The income being derived from these investments was approximately \$1,000,000,000.

Savings Out of Income in Great Britain

British economists believe that prior to the Great War their compatriots were reinvesting abroad almost the entire income derived from their foreign investments and that, in addition, ten to twelve per cent of their home income was saved and added to capital. Therefore it seems probable that in the years immediately before the Great War the British people saved from their home income around \$1,100,000,000 and that they reinvested abroad about \$900,000,000. This

meant a total saving of, say, \$2,000,000,000, or approximately one-fifth of their entire national income.

It is difficult to estimate the amount of these savings to-day, but they must be very substantial, if the sales of new capital issues in the London market give any indication. Apart from the absorption of new bond issues of the British government, which may be regarded in the light of refunding operations and therefore no guide as to the amount of new capital seeking investment, the London market purchased in 1921 new securities having a par value of around \$900,000,000. Similar purchases in 1922 amounted to over \$1,000,000,000 while for 1923 they were not quite \$1,000,000,000. Undoubtedly, before drawing conclusions as to the amount of new savings evidenced by these figures, they also should be adjusted for refunding operations, but they clearly indicate a large and increasing volume of saving on the part of the British people.

A surprisingly large proportion of the post-war investing of the people of the British Isles has been in "over-seas" securities. In the calendar year 1920, the London market purchased new securities issued by the British dominions and possessions having a par value of say \$153,959,000. Similar purchases in 1921 aggregated \$440,751,000; in 1922 \$364,581,000 and in 1923 \$451,189,000. Thus, in these four years, the British dominions and possessions placed an aggregate of \$1,410,480,000 securities in the London market.

In the same period securities originating in foreign countries aggregating a par value of \$633,067,000 were taken up by British investors.

The total purchases of securities originating outside of the British Isles for the four post-war years, aggregated a par value of \$2,043,547,000.

While the absorption of foreign and colonial securities has not yet reached the pre-war level, it is clearly on a rising scale and has already assumed important proportions.

The income derived by Great Britain in 1923 from her foreign investments was about \$729,900,000. To obtain Britain's entire income from her foreign business relations, apart from profits in connection with her foreign trade, we may add to the return from investments \$535,260,000 for net shipping income and \$194,640,000 from miscellaneous sources. This gives a total income from so-called "invisible exports" of say, \$1,459,800,000.

The Foreign Investments of Canada

With the exception of the Dominion of Canada the other nations comprising the British Empire have no important foreign investments. The dominions are still in the development stage and the people of India have not become accustomed to investing to any great extent in securities, especially in foreign securities.

An interesting development of the war has been the loans made to certain nations by the Dominion of Canada with the object of promoting international trade. These loans, which began immediately after the war, aggregated in 1921 over \$40,000,000. Since then they have been much reduced, but the fact that they were made indicates that the British theory of winning trade by financing the borrower is endorsed by this great dominion which is itself a borrower and must so remain for a long time to come. However, this policy is only a new development in Canada so far as direct government loans are concerned, the Canadian banks have long found it to their advantage and to the advantage of their customers—the farmers, manufacturers and merchants of Canada—

to stimulate foreign trade by foreign loans. Even as long ago as 1902 such loans by Canadian banks amounted to \$78,000,000. With some fluctuations, they increased until shortly before the war, on March 31, 1914, they stood at \$198,000,000. At the close of 1920 such advances amounted to \$396,000,000. At the close of September, 1923, they were \$348,000,000.

That these loans were made possible largely by foreign deposits does not change the fact that the Canadian banks, by making such loans—metaphorically speaking—carried the Canadian flag to all parts of the world, thus making possible a world-wide expansion of Canadian commerce.

CHAPTER XVIII

National Wealth and Income of France

THE wealth of France at about 1903 may be estimated to have been the equivalent of \$52,000,000,000 and the national income about \$6,400,000,000. The well known French economist the late M. Edmond Thery, who gave this question very careful consideration, estimated that in 1908 the wealth of his country had grown to \$57,900,000,000. Between 1908 and 1914 wealth was almost stationary, increasing possibly \$750,000,000. M. Pupin estimates that the income in 1913 was \$7,300,000,000. No French authority has ventured to make an estimate of the wealth or the income of France at the present time and, therefore, we are left to draw our own conclusions in regard to the matter. From a very careful consideration of the items of loss and gain during the war and since we are led to believe that the wealth of France today may be taken to be substantially the same, on a gold basis, as her wealth in 1908. It is more difficult to arrive at a figure for the present probable national income, but after carefully weighing all the facts, we are led to believe that the pre-war figure is still being maintained, very nearly. We tentatively estimate the national income in 1923 at \$7,000,000,000.

We have not included in these figures any estimate for the wealth and income of the French overseas possessions. These possessions are becoming more and more important and are rapidly reaching the point where they may be regarded as having a decided asset value, but it is impossible from the data at hand to assign a valuation to them. However, we may

safely assume that from now on these possessions will be an increasing source of strength, adding appreciably both to the wealth and income of what may be called the French Empire. It is to be hoped that some well qualified French statistician will soon make a study of the national wealth and national income as of the present time and when making this study, will include statistics for the colonial possessions.

French Foreign Investments

The French have always been a saving people and while they have traditionally favored investments in real estate, yet as all the real property had long ago been absorbed by the people, other outlets for savings became imperatively necessary. The French people have always favored the securities of their own government and of the *Crédit Foncier de France*, the great mortgage bank of France, but many years ago they were forced to seek an outlet for their surplus funds in foreign lands.

In 1850 there were almost no foreign securities held in France. Twenty years later, in 1870, on the eve of the Franco-Prussian War, such investments are estimated to have been not less than \$2,000,000,000 and possibly as great as \$2,750,000,000. The estimated income derived by the French at this time from their investments in foreign lands is placed at from \$120,000,000 to \$150,000,000. The payment of the indemnity to Germany was greatly facilitated through the sale abroad of a considerable part of these holdings and the reinvestment of the proceeds in rentes. Sales made for this purpose and to provide the new capital required for the industrial and commercial expansion which followed the Franco-Prussian War so depleted the holdings of foreign securities that for some time they were quite unimportant.

However, it is estimated that by 1880 the French people had so prospered that they had as much capital invested abroad as in 1870—possibly a larger amount. The French investor then and since has not cared to invest abroad in new ventures requiring his personal supervision, rather he has preferred to buy the bonds of foreign governments or of corporations which he believed to be well established. Thus he did not seek a large return from his lendings abroad. There was one marked exception to this rule and that was the success which the promoters of the Panama Canal had in attracting capital into that unfortunate venture.

At the end of the next decade (in 1890), the foreign holdings of the French people are thought to have reached \$4,000,000,000, yielding an income of around \$240,000,000. The largest amount was invested in Russia, say about one-quarter of the whole. Most of the remainder was invested in other European countries lying contiguous to France, although perhaps as much as \$400,000,000 was invested in Turkey and Egypt and around \$500,000,000 in America, principally in South America.

By 1902, it is thought that the investments abroad had increased to \$5,000,000,000 or a little more. In fact, one estimate from an excellent source is as high as \$6,000,000,000. About two-thirds of the total was invested in European countries, Russia leading with about \$1,400,000,000, Austria-Hungary and Spain coming next with around \$600,000,000 each, then Turkey with over \$350,000,000 and England with \$200,000,000. The amounts invested in the other countries of Europe were smaller.

The remaining third of the foreign investment holdings of France in 1902 was scattered all over the world, the American continent leading with nearly \$800,000,000, of which

\$640,000,000 was lent to the Latin-American nations. About \$740,000,000 were being lent to Africa, including, say, \$280,000,000 to Egypt. Around \$200,000,000 had been utilized in Asia—about half of it in China. Small amounts had even been lent in Oceania.

We now come to the eve of the Great War. How much did the French people have invested abroad at that time—say in the early part of 1914, or late in 1913—and where were these investments located?

We believe that the foreign investments held just before the war broke out amounted to not less than \$8,250,000,000, and that possibly they may have aggregated \$200,000,000 to \$300,000,000 more. Of these loans around 52 per cent were to nations subsequently allies, about 28 per cent to those which remained neutral and about 20 per cent to nations which became enemies. They were yielding an annual return of around \$480,000,000.

About thirty per cent of this investment of French capital—practically all of it drawn in small sums from the savings of the people—was loaned to the Russian government or invested in Russian municipal or industrial securities. In the chapter dealing with the wealth and income of Russia may be found more detailed calculations in regard to the indebtedness of Russia to France. About \$500,000,000 was invested in Austria-Hungary, \$600,000,000 in the Balkans and Greece, \$800,000,000 in Spain and Portugal, about \$1,000,000,000 in the securities of other European countries, about \$600,000,000 each in Turkey and in Egypt, about \$800,000,000 in Morocco and, say, \$1,200,000,000 in America.

When it became necessary to utilize these foreign investment holdings in financing the war, it was established that from \$1,600,000,000 to \$2,000,000,000 were such as could [be

mobilized for this purpose. The amount actually sold during the war is estimated to have been from \$800,000,000 to \$1,000,000,000.

After making allowance for such sales and for investments lost—perhaps forever—because of the Bolchevising of Russia and the readjusting of the states of southeastern Europe, France at the end of 1923 probably had productive foreign investment holdings aggregating \$5,000,000,000, yielding an annual return of around \$250,000,000.

How Much the French Owe Abroad

We have already considered the foreign indebtedness of the French nation.

Prior to the war there was no borrowing abroad either by the government or by the people of France.

It is true that there may have been joint investment of foreign and home capital in French business enterprises, particularly in French banks doing business abroad, but there were no important loans issued by the nation, municipalities or corporations.

Exclusive of the inter-ally debts and of the debt to the Bank of England which is really in the same category, French government, municipal and commercial borrowings abroad outstanding at the close of 1923 aggregated at exchange parities, a value of about \$623,000,000.

Of these loans \$376,000,000 or 60.35 per cent were government borrowings. We do not include in this amount French rentes listed on the London Stock Exchange and to some extent dealt in in New York. Just what the foreign holdings of rentes may be we are unable to state. Municipal and departmental borrowings account for \$97,000,000 or 15.57 per cent of the \$623,000,000 bonds which we estimate

as held abroad, while \$10,000,000 or 1.61 per cent were corporate borrowings other than for railroad purposes and \$140,000,000 or 22.47 per cent were borrowings by the railroads for the rehabilitation, re-equipment, electrification and extension of their lines.

Thus, today, apart from what may be called the political borrowings, that is the borrowings from foreign governments for war purposes, which we have already fully discussed, the French owe abroad an amount equivalent to only about 12½ per cent of their productive foreign investments of \$5,000,000,000. About one-half of this amount is due to the United States, about a sixth to London and smaller sums to other nations.

CHAPTER XIX

National Wealth and Income of Italy

THE best authorities place the pre-war wealth of Italy at just under \$22,000,000,000. It does not seem likely that the wealth of Italy has seriously declined since 1913.

The war damages which Italy suffered are estimated by good authorities to have been about \$2,000,000,000. However, the provinces devastated by the enemy have now resumed their normal aspect. Most of the houses have been rebuilt with or without help from the government, and in a better manner than the old houses which were destroyed. There was considerable damage to arable lands caused by lack of care and deficiency of fertilizers, but the productivity of the land is now said to have been completely restored, with the exception of part of the damaged woodland.

In view of these facts, we feel safe in assuming that the wealth of Italy, as geographically constituted before the war, is today substantially the same as it was in 1913. We have adopted a figure of \$21,250,000,000 as the sum of the national wealth in 1923.

If we make allowance for the new provinces acquired by Italy as the result of her participation in the war, probably enough to raise the estimate of present day wealth above the figure just mentioned. Unfortunately we have no data upon which to base an estimate of the value of these new acquisitions and therefore must be content to leave our estimate to stand with the explanation that it applies to Italy as constituted prior to the war.

The National Income of Italy

The accepted pre-war estimate of the national income of Italy was \$3,900,000,000. Professor Gini, the distinguished Italian economist, has expressed the opinion that the revenue of the Italian people in 1921 lay somewhere between 100 and 160 milliards of lira, or say between \$19,000,000,000 and \$31,000,000,000. Reducing these figures by the average price index number for 1921 of 578, we arrive at a pre-war or gold valuation for the income of from \$3,300,000,000 to \$5,300,000,000. Professor Gini admits that "these figures show a very wide margin, but, he adds, "I believe this margin necessary by rules of prudence, as before the war to be definite was very difficult and now is impossible." He says that some economists do not take into consideration agricultural improvements adopted by non-salaried farmers, which did not have in pre-war times the importance they have reached now. He thinks that, in order to obtain a complete valuation of the national income, another addition should be made relating to domestic work accomplished by people in their own homes, but apart from this last suggested addition which he says, if adopted would give a more complete and exact compilation of national revenue, he has "no reason to think that noticeable changes should be made in the figure of 20 milliard lira (\$3,900,000,000) given for the pre-war period."

After weighing all of the various factors entering into such calculations, we have adopted as our estimate of the present day national income of Italy the figure of \$3,400,000,000 gold.

The Foreign Investments of Italy

Prior to the war, Italy was not to any important extent a creditor nation. Possibly at that time she may have been lending abroad around \$300,000,000.

Perhaps the most important foreign investment of Italy, before the war as is the case today, consisted of her Nationals temporarily or permanently resident in other countries from whom, metaphorically speaking, Italy year by year "cuts off coupons" to the amount of many million dollars. The following table gives the remittances of emigrants to the home country for the years 1913 to 1921, inclusive, the figures for 1920 and 1921 being partly estimated.

REMITTANCES OF ITALIAN EMIGRANTS

1913 TO 1921

(In dollars—000,000 omitted)

	Currency Basis \$	"1913" Dollars \$		Currency Basis \$	"1913" Dollars \$
1913	102	102	1918.	91	22
1914	76	80	1919.	259	71
1915	67	50	1920.	423	67
1916	57	28	1921.	306	53
1917	94	31			

It will be noted that on a currency basis the remittances after the close of the war were in 1919 two and one-half times what they were in 1913, in 1920 over four times, and in 1921 fully three times. However, the purchasing power of the remittances for post-war years was substantially less than the purchasing power of the pre-war remittances.

The Foreign Borrowings of Italy

In 1913 Italy was a large borrower of money from abroad. On December 31, 1913, there were in Italy two hundred and ninety-two foreign companies employing capital amounting approximately to eighty-eight million dollars. This was ex-

clusive of some six million dollars invested in assurance companies and a like amount in steamship companies. Of these investments aggregating around \$100,000,000, about thirty-six million were Belgian, thirty million French, twenty million English, nine million Swiss and six million German. These companies in the main were conducting public service enterprises such as water works, tramways, railways, gas and electric plants.

In addition to the registered foreign corporations doing business in Italy, foreigners had large investments in the shares and bonds of Italian companies and in Italian government and municipal securities. It is difficult to arrive at an exact valuation of such investments.

Germany's participation in Italy's economic activity which is known to have been large, was chiefly in the form of investment in Italian companies and the introduction of personnel and methods. As to Italian consols, France always was the chief foreign holder. Of \$8,600,000 paid in interest in 1913-1914 on Italian consols held abroad, \$8,000,000 went to France.

CHAPTER XX

The Wealth, Income and Foreign Indebtedness of Russia

THE statistics in regard to the pre-war national wealth and national income of Russia are not at all satisfactory. The estimates of the wealth vary all the way from around \$40,000,000,000 to around \$65,000,000,000. We have adopted as probably nearest to the true state of facts an estimate of \$58,400,000,000.

The post-war valuation must be materially reduced because of the radical territorial and other changes which have followed the war. We venture upon a tentative estimate of \$45,000,000,000.

The National Income of Russia

In the absence of any detailed studies in regard to the national income, we can only arrive at an approximate figure. Perhaps we shall not go very far astray if we estimate that this income was and is around 12½ per cent of the wealth or, say, in round figures \$7,500,000,000 pre-war and \$5,600,000,000 today.

Foreign Capital Invested in Russia

In our study of the Russian public debt we learned that in addition to the indebtedness incurred for the purpose of defraying the expenses of wars, there was also a very large indebtedness which had been contracted for the purpose of the construction of railroads. Previous to the late war the

debt issued for this purpose had reached the sum of \$1,594,000,000, or about 35 per cent of the total.

The first railroad construction in Russia was in the year 1836, when the government built a short line from the capital to Pavlovsk, some fifteen miles away. The Petersburg-Moscow line was opened in 1851. The Crimean War stopped the work of railroad building temporarily, but in 1857, a few months after the Treaty of Paris, a joint stock company called the "Society of Russian Railroads" was formed, with a capital of \$129,000,000, and authorized to build 3,000 miles of railways which were to include a line from Saint Petersburg to Warsaw with a branch to the Prussian frontier and another between Moscow and Nizhni Novgorod.

The first issue of stock representing \$39,000,000 was easily placed, thanks to the abundance of capital, the numerous issues of bank notes and to the five per cent guarantee given to the company by the government. Encouraged by the success of the Society of Russian Railroads, a great many railroad enterprises sprang up and concessions were granted for railways in central, western and southern Russia. These were financed by domestic and foreign capital. Altogether from 1862 to 1868, \$58,000,000 were spent on railroad construction and all the concessionaires were either assured a flat guarantee of a minimum interest or else large subsidies from the treasury. The profits realized from the successful operation of these lines flowed into new enterprises.

In 1868 the government passed a measure which was of great importance in railroad construction. By it those who held railroad concessions were relieved of raising capital for the construction of new lines. This capital was to be furnished by the government itself through the issue of special railroad bonds. The accumulation of capital for the purposes of rail-

road construction had a considerable influence on the financial situation of Russia, particularly in the years from 1868 to 1871, when simultaneously with the railroad movement in the United States, there went on in Russia a vigorous construction of railroads. The sum of more than \$500,000,000 was spent within four years.

The masses of Belgian and French capital that poured into the country caused a temporary inflation, but at the outbreak of the Franco-Prussian War in 1870, the supply from France was of course cut off. During the Russo-Turkish War, 1877 to 1878, practically all construction was suspended. This was also true during the period of great economic depression following that war.

From the beginning of the '80s, Russia had been drawn into the net work of international trade and finance by her appearance as a grain exporter; therefore she naturally was bound to feel the long business depression which affected western Europe from 1877 to 1886. When the revival came, Russia also shared in full in the strong development of trade throughout the civilized world. At this time Russia entered upon a capitalistic period, and from being a purely agricultural country was transformed into one partly industrial. This change has been attributed to various factors, and while it would be impossible to single out one cause, yet it must be said that one of the most potent of the factors was the further development of the railroad system resulting in the construction of new lines opening up the great coal resources of the south.

In a country of such a vast population and continuous land area as Russia, the opening of a new line of communication brings into relation an enormous number of persons, and at once opens up new markets. The railroads in Russia usu-

ally dragged behind the population so that when they came they immediately gave a new direction to previously latent productive powers.

Besides her expenses for the direct conduct of the Great War, the Russian government during the war period made what, under ordinary circumstances, would have been considered heavy expenditures in the development of her lines of transportation and her harbor facilities. One great undertaking was the construction of 750 miles of railroad running from Petrograd to the ice-free harbor of Kola in northwestern Russia. This road was constructed at an estimated cost of about \$34,000,000. The overland route through Finland and Sweden was improved. A new broad gauge line from Vologda to Archangel was constructed and the far eastern port of Vladivostock was developed.

According to the explanatory note of the Russian ministry of finance regarding the estimates of state revenue and expenditure for 1916, the total length of government railways under construction and for the construction of which permits had been granted and plans made at the beginning of September, 1915, amounted to 5,600 miles, at an estimated cost of \$554,000,000. Of these railways, 3,500 miles were being constructed (at a cost of \$324,800,000). Permission for construction had been granted on 300 miles at an estimated cost of \$27,295,000 and further construction had been planned for 1,800 miles estimated to cost \$202,086,000. It is further stated that concessions had been granted to private companies for the construction of about 842 miles of road at an estimated cost of \$53,000,000. The total length of railroads in operation in Russia at that time may be closely estimated at 60,000 miles.

The money for this railroad construction was to a very

great extent obtained by borrowing in foreign markets. In January, 1914, the state railway loans were estimated at \$1,594,000,000. These were long term loans bearing interest at from three to six per cent. Beside these direct loans issued by the government for the purpose of railroad construction, the state also guaranteed loans to the par value of \$966,000,000. Therefore, the total direct and guaranteed obligation of the state for railroad construction in 1914 was \$2,560,000,000. As noted in Chapter VII Russia owed in 1914 for loans raised for other purposes than the construction of railroads \$2,947,000,000 and was guarantor of securities issued by the Nobles and Peasants banks in the sum of \$1,061,000,000. Thus the total direct and guaranteed pre-war debt of Russia was \$6,568,000,000.

It is difficult to tell just what percentage of the direct and guaranteed loans of the Russian government was placed abroad, but it is estimated that between one-third and one-half thereof were so held. If we strike an average and take forty-four per cent. as the correct figure, we find that the total foreign indebtedness of Russia in 1914 on government account, direct and guaranteed, amounted approximately to \$2,890,000,000. In addition to the bonds directly issued by the Russian government or guaranteed by the government, which were held abroad, it is estimated that the commercial investments of foreigners in Russia in 1914 amounted to \$1,154,000,000. Adding this amount to the \$2,890,000,000 government obligations held abroad we arrive at the sum of \$4,044,000,000 as the total pre-war foreign debt of the Russian people.

In the early part of 1922 the Soviet government published an inventory of the foreign capital invested in Russia in commercial enterprises. This inventory places the total

at \$1,154,000,000 and distributes the amount as per country of origin as follows:

GEOGRAPHICAL DISTRIBUTION OF FOREIGN PRE-WAR INVESTMENTS IN RUSSIAN COMMERCIAL ENTERPRISES

(In "Currency" dollars—000,000 omitted)

	Amount	Per Cent.
France	\$377	32.6
Great Britain	261	22.6
Germany	227	19.7
Belgium	165	14.3
United States	61	5.2
Holland	19	1.6
Switzerland	17	1.5
Sweden	12	1.1
Denmark	8	0.7
Austria	4	0.4
Italy	1	0.1
Norway	1	0.1
Finland	1	0.1
Total Soviet Estimate	<u>\$1,154</u>	<u>100.0</u>

CLASSIFICATION BY INDUSTRIES OF PRE-WAR INVESTMENTS IN RUSSIAN COMMERCIAL ENTERPRISES

(In "Currency" dollars—000,000 omitted)

	Amount	Per Cent.
Mining	\$429	37.2
Metallurgy	202	17.5
Real Estate	134	11.5
Banks.	122	10.6
Textile Industries	99	8.6
Chemical Industries.	43	3.7
Commercial Industries	42	3.7
Manufacturing of Food Stuffs	19	1.7
Printing	16	1.4
Shipping	14	1.2
Lumber Industry	13	1.1
Mineral Exploitations	9	0.8
Animal Products	7	0.6
Insurance	5	0.4
Total Soviet Estimate	<u>\$1,154</u>	<u>100.0</u>

Classified by the character of the industries, it is stated that the largest part of this sum was invested in mining and cognate industries. The next largest amount was invested in real estate, the next in banking, and the next in the textile industries. These facts are set forth in the previous table.

French Investments in Russia

France was by far the largest creditor of the Russian Empire. The estimated par value of French investments in Russia in 1914 is \$2,190,000,000. These investments were distributed about as follows:

FRENCH INVESTMENTS IN RUSSIA IN 1914 (In "Currency" dollars—000,000 omitted)

Government bonds	\$1,250
Railway bonds	373
Industrial securities	323
Bonds of Land Credit Banks and of Crédit Fon-	
cier Mutuel	99
Other investments	145
	\$2,190

Some French estimates are considerably higher, but the one which we have adopted is independently arrived at by two French organizations especially formed to protect the interests of French investors in Russian securities and properties. These estimates do not include the war debt of the Russian government to the French government. It will be remembered that this debt approximates \$1,000,000,000.

The commercial investments of the French in Russia covered practically the entire field. French capital exercised a dominating influence in the mineral and metallurgical industries, in the working of platinum, in the construction of machinery and in the building of locomotives and of ships.

British Investments in Russia

The English have not published their claims on Russia. Therefore it is impossible to give any tabulated statement. Apart from the advances made for the conduct of the war which, according to British Finance Accounts, aggregated on March 31, 1923, some \$3,349,000,000, it is not known what amount the Russian Imperial Government may have owed in Great Britain. Estimates of pre-war holdings of such securities by the English people range from \$190,000,000 to \$258,000,000. These investments were distributed a little over a third in direct issues of the Russian government; and somewhat less than a third, each, in railway bonds and municipal bonds guaranteed by the Russian government.

According to the Soviet estimate, the commercial investment of the British people in Russia amounted to \$261,000,000. This capital was divided among 144 different enterprises, being of especial importance in the naphtha industry and exercising a large influence in the production of copper, in the making of thread and in the manufacture of tobacco.

Belgian Investments in Russia

Belgium's investments in Russia were chiefly in the commercial field, although her citizens are thought to have held around \$125,000,000 of government, municipal and railroad bonds, and to have had due them some \$80,000,000 more for uninvested capital on deposit in Russia or due on trade balances.

The Soviets place the amount of Belgian capital invested in Russian commercial enterprises at \$165,000,000. The Belgians place the amount very much higher—at nearly \$460,000,000.

If we adopt the Belgian estimates they are creditors of Russia for around \$700,000,000. Assuming that there would be an accord as to other items than that of the commercial investments, we may estimate the total amount from the Soviet point of view at \$370,000,000; just about half of the Belgian estimate.

Belgian commercial investments according to the Soviet inventory were distributed over 107 enterprises. Belgian sources state that her citizens' investments were distributed over 161 enterprises. The Belgians had a monopoly in the production of glassware and plate glass and had important interests in mining and metallurgy; secondarily in foundry, chemical and textile manufactories and thirdly in public service companies.

German Investments in Russia

The total pre-war investment of the German people in Russia is very roughly placed at around \$1,000,000,000. According to the Soviet inventory, the Germans had \$227,000,000 invested in Russian commercial enterprises. In this field German capital occupied third place, representing 19.7 per cent of the total foreign capital invested in Russian enterprises. Differing from French and English capital, German capital was distributed in a much more equal fashion over the various branches of industry. In a general manner it may be said that the participation of German capital, and in particular of German banks, in the establishments of commercial credit of Russia, exercised a profound influence in all fields of Russian industry, independent of German capital directly invested in different Russian industrial companies. German participation in the industrial life of Russia was especially felt in connection with the management of the affairs of many

manufacturing corporations, also in life insurance and banking lines. Germany also played an important rôle in the chemical and electrical industries.

United States Investments in Russia

Except for investments of our insurance companies necessary to qualify them to transact business in Russia, very little United States capital was invested in Russian securities.

Summary

To summarize:

FOREIGN INVESTMENTS IN RUSSIA IN 1914

(In "Currency" dollars—000,000 omitted)

Investing Nations	Gov't, Municipal and Railroad Bonds	Commercial Enterprises	Maximum Total
France.	2,720	323 to 377	3,097
Great Britain	333	261	594
Belgium	205	165 to 470	675
Germany	554	227 to 446	1,000
United States.	10	58	68
Other Countries	503	63	566
Total	4,325	1,097 to 1,675	5,422 to 6,000

Soviet Repudiation of Foreign Debts

In February, 1918, all of this great sum owed by the Russian government to the use of which the transportation and industrial development of Russia largely was due, was invalidated by the Soviet government in the following decree. It will especially be noted, see section three, that "all foreign loans, without exception, are absolutely repudiated." Ap-

parently the same policy is being followed in regard to corporate debts.

Soviet Decree Invalidating Russian Public Debt

The decree adopted by the Central Executive Committee of the Soviets for the abolition of public debt, is as follows:

1. All State loans concluded by the Governments of the Russian landlords and Russian bourgeoisie, enumerated in a special list, are hereby repudiated as from December 14, 1917. The December coupons of these loans are not paid.

2. In the same way are all the guarantees repudiated which the said Governments gave to loans of various concerns and bodies.

3. All foreign loans, without exception, are absolutely repudiated.

4. Short-term liabilities and Treasury bonds remain in force. Interest on them is not paid, but the bonds themselves have a currency along with credit notes.

5. Poor citizens who hold State bonds of internal loans to an amount of not more than 10,000 roubles nominal receive in exchange certificates, made out in their names, of a new loan of the Russian Socialist Federal Soviet Republic to an amount not exceeding 10,000 roubles. The terms of the loan will be fixed later on.

6. Deposits at the State savings banks and interest on them remain intact. All debentures of the annulled loans which belong to the savings banks are replaced by a book debt on the part of the Russian Socialist Federal Soviet Republic.

7. Co-operative organizations, local government bodies, and other democratic bodies or institutions of common utility holding debentures of the repudiated loans are to be given certificates in accordance with rules to be drawn up by the Supreme Economic Council in conjunction with representatives of these bodies, which must prove that the debentures were acquired by them previous to the publication of the present decree. (NOTE—The local organs of the Supreme Economic Council have to determine which of the local bodies can be regarded as democratic or of common utility.)

8. The general direction of the liquidation of the State loans is entrusted to the Supreme Economic Council.

9. The work in connection with the liquidation of the loans is entrusted to the State Bank, which shall immediately begin the registration of all the debentures of State loans and other interest-bearing papers in the hands of various holders, which may or may not be subject to invalidation.

10. The Soviets, in agreement with the local economic councils appoint committees to determine what citizens are to be regarded as poor. These committees have the right to annul all savings not acquired by personal labour, even if they do not exceed the sum of 5,000 roubles.

This decree was printed in the Russian newspaper "Pravda" on February 8, 1918.

It is impossible to forecast what settlement the creditors of Russia may ultimately be able to arrange in regard to the amounts due them from the former Imperial Russian Government and from her nationals.

The creditors of Russia have not alone the present Soviet Republic to deal with but several new nations which have taken over portions of the territory and of the population of old Russia.

CHAPTER XXI

The Wealth and Income of the United States

THE money value of the economic wealth of the American people was officially estimated for 1904 at \$107,104,000,000. Professor W. I. King, the leading authority for the United States on this subject, estimates that the national wealth at the end of 1913 was \$197,587,000,000 and, in "1913" dollars, at the close of 1918, \$226,475,000,000. Probably we would be justified in adopting a round figure of \$230,000,000,000 in "1913" dollars for the close of 1923.

The preliminary estimates by the Census Bureau of the wealth of the individual states so far as published up to the time this book went to press may be found in Statistical Table XXIX.

The national income for 1903 may be roughly estimated to have been \$21,000,000,000. By 1913 it had reached \$34,000,000,000 and in 1923 in "1913" dollars was probably in the neighborhood of \$31,000,000,000.

It may be a surprise to some that the wealth as estimated for 1923 does not show a larger increase over the pre-war estimates, but while it is true that in its earlier stages the war created many war profiteers, at the same time, it had unfortunate effects on lines of activity not directly connected with the war. After we got into the struggle, so close a check was kept upon the cost of munitions for our own country and for the allies that the making of abnormal profits by American manufacturers, farmers and merchants was largely checked and such profits in excess of pre-war profits as were made, were very largely taken by the government through income and war profits taxes to meet the expenses of the war, including

our very large loans to our allies. In the United States, as in other countries, the post-war situation, until quite recently has been one of readjustment from war conditions which has brought reduced activity in many lines of business and reduced prices in markets to which we send our products, so that instead of marketing our food and other products at a profit, we did so for some time at little or no profit or even at a loss. Therefore, taking all things into consideration, it is quite obvious that the nation, as a whole, has not profited to any important extent as a result of the war. On the contrary on a per capita basis, it has perhaps even suffered some loss in wealth.

The Foreign Investments of the United States

It is only in recent years, and as a development of the Great War, that the United States has become an important factor in world wide finance.

It is estimated that in 1900 we held \$500,000,000 in foreign securities divided as follows as to their geographical location:—Canada, \$150,000,000; Mexico, \$185,000,000; Cuba \$50,000,000; Latin America other than Cuba and Mexico \$55,000,000; Europe, \$10,000,000; China and Japan, \$5,000,000, and life insurance companies guarantee investments in Russia and elsewhere, \$45,000,000.

Nine years later United States investments abroad are estimated to have reached a total of \$2,000,000,000. Canada was then a debtor to the United States in the sum of \$500,000,000 and Mexico for from \$600,000,000 to \$700,000,000 while our investments in Europe had reached the relatively high total of \$350,000,000.

By the close of 1913 we had invested outside of our own borders around, perhaps over, \$2,500,000,000. This figure

higher than the accepted estimates, but we believe it to be a close approximation to the facts. However, the data from which to make such an estimate are not as complete as might be desired. These investments were distributed about as follows:

FOREIGN INVESTMENTS OF THE UNITED STATES
AT THE CLOSE OF 1913

(In *dollars*—000,000 omitted)

Country	Amount	Per Cent
Canada	750	28.8
Latin America		
Cuba	100	
Mexico	1,050	
Central America	50	
South America	100	
Europe	350	13.4
China and Japan	100	3.8
Philippine Islands	75	2.9
Porto Rico	30	1.2
Total	*2,605	100.0

*Or say in round figures \$2,500,000,000

If we may assume that a net return of 6 per cent was being received, the national income from this source was, say, \$150,000,000.

The war brought marked changes in respect to our foreign investments. American investors as a whole for the first time became familiar with foreign securities. In the early years of the war, with some hesitation, we loaned money to France and England, but we required very good collateral in the nature of our own bonds and stocks which were placed with New York trust companies as security for the French and English bonds which were sold to the public. However, there were some exceptions, the most important being the

Anglo-French loan for \$500,000,000 which was placed in October, 1915, on the joint credit of the governments of England and France. The success of this loan and the fact that it was paid off promptly at maturity, unquestionably did a great deal to inspire confidence in subsequent bond issues from foreign countries.

American investment of new money, since the armistice excluding all refunding operations, in foreign, state, municipal and corporation bonds is estimated to have aggregated to June 30, 1923, around \$2,000,000,000. The estimates range from \$1,800,000,000 to \$2,200,000,000. In addition to our purchases of new issues placed in our money markets, we have purchased on balance about \$800,000,000 bonds issued abroad. Besides our holdings of foreign, state, municipal and corporate bonds, our citizens unquestionably have large amounts of capital invested in real estate and mortgage thereon, in timber lands, mines, factories and merchandise not represented by bond issues. We estimate that such investments in Canada alone may aggregate over \$1,200,000,000. There must be very large investments of a similar character in Mexico, Cuba, elsewhere in Latin America and in Porto Rico and the Philippines. We do not venture to give figures, but the amount is unquestionably large.

Then we must not overlook trade credits made directly by our corporations or such as are given by our banks. The aggregate of such credits is no doubt large, but the amount must fluctuate greatly, depending upon trade conditions. Tentatively we estimate the foreign investments of the United States as of June 30, 1923, at perhaps \$7,650,000,000 on currency basis—say \$5,000,000,000 in “1913” dollars.

In the following table these figures are summarized. They must not be taken as anything more than an intelligent guess.

for the data are most incomplete. It is pleasing to observe that the United States department of commerce under Mr. Hoover's progressive management is beginning to make studies of these elusive questions. In a recently issued supplement to Commerce Reports, American capital abroad in 1922 is estimated at \$4,483,000,000, from which, in 1922, the owners were in receipt of an income of \$227,000,000. This total is for foreign bonds only. Of course, to arrive at the entire investment, the other elements referred to above, such as stock issues (or as the English say, "shares") and non-capitalized investments, must be considered.

Our estimate is as follows:

FOREIGN INVESTMENTS OF PEOPLE OF THE UNITED STATES AS OF JUNE 30, 1923

(In "Currency" dollars—000,000 omitted)

Foreign securities sold in the United States since 1913 and outstanding on the above date	3,050	
Foreign securities originally issued abroad, imported since 1913	800	
Banking and trade credits—say	1,000	
Corporate and personal investments in Canada since 1913 not represented by bond issues.	1,200	
Similar investments since 1913 in Mexico, Cuba, the Philippines, Porto Rico—perhaps	1,000	
Total new investments since 1913	7,050	
Deduct—Defaulted Russian holdings—say	750	
Net new productive investments	6,300	
Add—Pre-war investments	2,500	
Less—75 per cent of Mexican holdings	750	
Russian holdings	50	
Securities paid off and not replaced by refunding issues—say	350	1,150
Total amount invested abroad June 30, 1923		7,650
[Exclusive of amounts due the United States government]		

It will be noted that we have deducted \$1,150,000,000 from the estimated value of the investments brought over from the pre-war period. This we have done because of the long continued default in the payment of the interest upon Mexican bonds, also to allow for other possible losses and to allow for the repayment of bonds which have matured and been paid off in cash and not replaced by refunding issues.

There is scarcely a nation which is not today indebted to the United States. Following is a statement of the geographical distribution of our foreign investments. Although an independent calculation the total checks closely with that of the previous table.

GEOGRAPHICAL DISTRIBUTION OF INVESTMENTS OF THE AMERICAN PEOPLE IN FOREIGN COUNTRIES IN 1923

(In "Currency" dollars—000,000 omitted)

	Government	State or Municipal	Corporate etc.	Total
America				
North	264	517	2,775	3,556
Central	...	...	4	4
South	221	58	544	823
West Indies	155	2	197	354
Total	640	577	3,520	4,737
Africa	...	...	1	1
Asia	385	26	65	476
Europe	819	130	1,245	2,194
Oceania	...	22	...	22
	1,844	755	4,831	7,430
Add—Trade Credits—say			1,000	
Imported securities, not allocated to country of origin			800	
			1,800	
Deduct—Defaulted securities				
Russia		800		
Mexico		750	1,550	2,300
Total invested abroad June 30, 1923				7,680
[Exclusive of amounts due the United States government]				

Foreign Indebtedness of the United States

In 1899 the people of the United States owed abroad upwards of \$3,000,000,000, possibly as much as \$3,300,000,000. By 1910 this indebtedness had doubled and at the end of 1913 was \$7,000,000,000.

We then owed England some \$4,000,000,000, Germany \$1,250,000,000, France \$1,000,000,000 and Holland \$650,000,000, with smaller amounts due to other nations.

From the foundation of the government up to 1914, we had borrowed abroad for every conceivable purpose.

The Revolutionary Debt Abroad: We depended upon foreign capital to fight the revolutionary war to a successful finish. France, Holland and Spain were the bankers of the infant republic. This debt, after having been in default for several years, was refunded in 1790. Including arrearages of interest, it amounted on January 1, 1790, to \$12,081,000 and was practically all paid by 1795, largely however, by new foreign borrowing. Every dollar of the foreign debt of the United States was paid by 1809.

We cannot describe in detail the loans made to this country by France during the Revolutionary War, but, in view of discussions which from time to time arise on this question, it may be worth while to note here quite positively that these loans were fully repaid with interest. The last payment was made in 1795, except in connection with the final settlement with the estate of Beaumarchais which was not made until 1835.

The loans and subsidies which France made to the American States totalled 49,408,000 livres; or, say, \$8,967,000—estimating the value of the livre at 18.15 cents. Of this amount, \$1,193,000 was a free gift. This aid was given at a time when France herself was at war.

Later Foreign Financing: Following the settlement of the Revolutionary debt, the United States government did not again have occasion to borrow abroad until the Civil War period and thereafter. Even then we did not borrow directly from foreign markets, but our bonds found their way abroad and at several periods of crisis we availed of the services of international bankers.

However, the states, municipalities and the corporations of the United States until 1914 were persistent and large borrowers abroad for every conceivable purpose. Our railroads were to a great degree financed with capital obtained in England, in France, in Holland and in Germany. Our farm lands were frequently developed from the proceeds of mortgages placed in England and Scotland and by money brought with them by immigrants or obtained in their home countries.

Our public service corporations also sought capital abroad as did our industrial companies. In fact, the United States owes her present prosperous status largely to the confidence placed in her integrity by foreign capital. The country could not have reached its present stage of development without the use of foreign capital and the work of foreign labor—of the immigrant.

During the period of the Great War and since we have been paying off our foreign debts. During the past decade according to the most carefully made estimates, we have reduced the claims of foreign lenders from the pre-war status of \$7,000,000,000 by \$3,000,000,000. If this estimate is correct, we now owe abroad \$4,000,000,000 as against \$7,500,000,000, upwards, owed to us, as shown by the table on page 310, so that on balance, apart from the \$11,800,000,000 due the United States government, we are a net creditor nation for \$3,500,000,000, thus reversing the pre-war status.

CHAPTER XXII

The Wealth, Income and Foreign Investments of Germany

LET us now turn from the consideration of the status as to national wealth and income of the former Allied and Associated Powers to that of their principal opponent in the late war, the German Empire, for so it is called even today by the German people, although now they have a republican form of government.

Dr. Karl Helfferich, Director of the Deutsche Bank, estimated in 1913 that the wealth of Germany at about that time amounted to 300,000,000,000 marks, or say \$71,000,000,000 and that the national income amounted to 40,000,000,000 marks or \$9,500,000,000.

If it is difficult to make an estimate of the post-war wealth and income of France, it is still more difficult to make such an estimate in the case of Germany. However, we have attempted to arrive at a tentative figure which we have done by deducting from Dr. Helfferich's figure an estimate of the value of the territory lost by Germany because of the stipulations of the peace treaty. The fact has been kept in mind in making this estimate that while some of this territory was agricultural, and not highly productive, yet the loss of Alsace-Lorraine carried with it very important deposits of iron ore and potash, and industrial works of considerable magnitude, while the occupation of the Saar Basin has deprived Germany of extensive coal deposits. We have also taken into consideration the fact that in losing part of Silesia, Germany lost many industrial plants and large iron and zinc deposits, and $42\frac{1}{2}$ per cent of all the German coal lying within 500

yards of the surface. Taking all these facts into consideration, we have concluded that possibly a rough figure of the present wealth of Germany on a gold basis might be taken to be \$59,000,000,000. It is even more difficult to make an estimate of the national income of Germany at the present time, but, for the purpose of discussion, we have concluded that we may assume the present income on a gold basis to be approximately \$8,000,000,000.

These estimates are both made on the basis of a temporary occupation of the Ruhr district.

The Foreign Investments of Germany

Dr. Helfferich figured that in 1913 Germany's foreign investments amounted to about \$5,000,000,000. He estimated such investments in 1905 to have been \$4,000,000,000 and he gives it as his judgment that between 1905 and 1913 the amount of such investments had not greatly increased because of the fact that the industrial development of Germany during that period was so great that it absorbed practically all the free capital.

The pre-war foreign investments of Germany were distributed roughly as shown on the following page.

Before the Great War, Germany was next in importance to France as the continental center of foreign securities. German investments abroad were cosmopolitan in their distribution. She was a pioneer in developing the newer countries. She colonized first and then followed with banking, trade and shipping facilities. She was notable as a manager and director of banks, mercantile establishments and industrial plants, also in mining and oil operations. Thus her influence in the industries and commerce of foreign countries was very great, making it possible for her to derive a much larger

GERMAN FOREIGN INVESTMENTS IN 1913

(In *dollars*—000,000 omitted)

Europe			
Austria-Hungary	500		
Italy	150		
Roumania	200		
Russia	1,000		
Other European—around	150	2,000	
Asia			
Asia Minor	50		
China and Japan	150		
Turkey	300	500	
Africa			
North America—United States and Canada . . .			
Central America, Mexico and West Indies . . .			
South America			
Not allocated in the estimates			
			5,000

percentage of profits from her foreign investments than was obtained by other nations. She was a most important factor in the management of the banking, commercial and industrial fields in Russia. In fact, there was no important commercial or industrial center in any country of the world, with the single exception possibly of France and her colonies, where Germany's influence was not felt.

In the early part of the war, it is unquestionably true that Germany parted with a substantial part of her foreign securities, finding a market for them in the neighboring neutral countries and in the United States. There are no statistics as to the total amount of such sales. Following the armistice, it is generally thought that the wealthy people of Germany have been endeavoring to send as much as possible of their

property into foreign lands, and it is known to be a fact that large amounts of German marks and mark securities have been sold in foreign lands and the proceeds very likely reinvested in the countries where the marks were sold. It is true, of course, that the proceeds of these sales of marks also have been used to some extent in meeting foreign payments under the peace treaty. How much German capital, since the war, may have found a harbor in foreign lands, it is impossible to estimate, but the amount must be large.

It is a fact that since the war, German capital has reasserted itself in Austria, in Hungary, in Czechoslovakia and in Italy to such a degree as largely to dominate in those countries the operations of important industrial establishments, especially those engaged in the manufacture of iron and steel.

Through corporations organized for the purpose, German exports are "cleared" through the Scandinavian countries in such a way that a large part of the proceeds of their sale remains on deposit outside of Germany.

The apparent ease with which enormous purchases of cotton and copper for German account are financed indicates that there must be large pools of capital outside Germany available for the purpose.

However, in the very nature of the case, exact figures are unobtainable.

Inquiries by the mixed commissions of experts being instituted as this book goes to press may be expected to throw much light on this situation.

Statistical Tables

Statistical Tables

Money statistics are expressed throughout the book and in these tables in dollars as follows:

IN DOLLARS OR "CURRENCY" DOLLARS: All foreign currencies are turned into United States dollars at par of exchange:—

£ sterling at \$4.866; Franc, lira, drachma, leu, peseta, finmark, dinar at 19.3 cents; Crown at 20.3 cents; Mark at 23.8 cents; Krone at 26.8 cents; Florin at 40.2 cents; Yen at 49.80 cents; Ruble at 51.46 cents; Escudo at \$1.08.

Thus all statistics given simply in dollars (sometimes referred to as "Currency" dollars) reflect the face of the books just as published by the finance departments of the several countries, without adjustment of any kind.

IN "1913" DOLLARS: Statistics thus expressed are adjusted for inflation by dividing the "Currency" dollars by the wholesale price index number" of the several countries.

The index numbers used were: For Great Britain, *Statist*; Australia, Belgium, France, Germany, India, New Zealand, Union of South Africa, *Official*; Italy, *Bachi's revised*; Canada, *Department of Labour*; United States, *Bureau of Labor*; Russia, *Eliacheff*. For other countries we have made estimates from the best data available.

These numbers are based upon a combination and averaging of the prices of groups of commodities which enter into common use. The prices of the year 1913 are taken as normal, at any rate as prices not affected by war conditions. These prices are taken as a base (100%) and the prices for subsequent years are estimated in percentages of the base price. Thus it is possible to determine to what extent prices were increased by the war demand for commodities and especially how they were inflated by the great increase in the currencies and other credit facilities developed in financing the war. In short "1913" dollars may be said to be dollars of the year 1913 purchasing power.

Manifestly the statistics when expressed simply in dollars or currency dollars reflect conditions in terms of currencies of varying purchasing power and in the nature of the case are not fairly comparable. By reducing them to the pre-war or 1913 basis they become comparable. Table XXVII gives the wholesale price index numbers for several countries at quarterly periods, 1913 to 1923 inclusive, and the corresponding purchasing power of their currencies.

NOTES—TABLES IV TO VIII, INCLUSIVE
AND TABLE ON PAGE 13

*a*The cost of the war is taken to be the excess expenditure over the average expenditure of the three years preceding entrance into the war. In some cases the expenditure of the year previous to the war, or the average expenditure of the two previous years, is taken as a basis.

"Direct Cost"=The cost exclusive of loans. If loans made and loans received are settled in full this will be the final cost of war to each nation.

"Gross Cost"=Direct war expenditure, plus loans.

"Net Cost"=The actual cost as the accounts stood at the close of the war. If loans made and loans received remain unpaid then this will be the final cost of the war to each nation. If any nation pays her loans in full (*vide* England's settlement with the United States) but does not receive payment from her debtors, then "Net Cost" will be the actual cost to that nation.

b"Normal expenditure" shows what the expenditure would have been on the pre-war basis.

*c*A rough approximation.

*c*¹ Data unobtainable. Where totals are given they include the omitted items which, however, are not separately given in official or other sources.

*d*A rough estimate for five years.

*e*A rough estimate for two years.

*f*Proportion for period estimated. Total for six years from official statement.

*g*Adjusted. See page 25.

*h*The totals, respectively, of Columns III and VII and of Columns IV and VI of Table IV should exactly agree, but differing accounting methods followed by the several nations have made an exact balancing impossible. It is somewhat remarkable that the figures tally as closely as they do.

*i*That the expenses do not exactly balance with the receipts (Tables IX to XIV) is chiefly due to the fact that cash balances brought and carried forward have not been brought into the tables, in many cases not being obtainable.

*j*Russia ceased to be a belligerent in September, 1917.

*k*Greece did not become a belligerent until August, 1916, as the finances of that year were little affected, the war expenses are taken as beginning from January 1, 1917.

*l*Where a minus sign appears on a Cost of War Table, it does not mean that the cost was less than nothing, but that on the "1913" dollar basis the expenditure was less than the pre-war expenditure.

NOTES—TABLES IX TO XIV, INCLUSIVE

*a*The receipts in excess of the pre-war basis. See Note *b*.

*b*As a rule the average receipts of the three years immediately preceding entrance into the war, multiplied by the number of years that the nation was a belligerent and for which data are obtainable. In some cases the receipts of the year preceding the war or the average receipts of the two preceding years are used as a basis.

*c*A rough approximation.

*d*Covers a period of $3\frac{1}{4}$ years.

*e*Partly estimated.

*f*Five years. Even for these years the statistics are quite unsatisfactory. No data whatever are available for the last year of the war.

*g*Classification approximated.

*h*Including \$50,000,000 cash on hand at the beginning of the period.

*j*Includes net receipts from government services and monopolies.

*k*That the receipts do not exactly balance with the expenses (Tables I to VIII) is chiefly due to the fact that cash balances brought and carried forward have not been brought into the tables, in many cases not being obtainable.

*l*The United States did not become a belligerent until April 7, 1917.

*m*Rumania did not become a belligerent until August 27, 1916.

*n*Greece became a belligerent August 27, 1916, but as the war conditions only slightly affected the figures of the fiscal year ended December 31, 1916, her war financing is taken as beginning January 1, 1917.

*o*Russia ceased to be a belligerent September 12, 1917. Therefore these figures cover a period of approximately $8\frac{1}{2}$ months.

*p*Two years only. Data very unsatisfactory.

*q*Includes a period of $3\frac{1}{4}$ years—January 1, 1917, to March 31, 1920.

TABLE I—PRE-WAR ANNUAL EXPENDITURES OF ACTIVE BELLIGERENTS IN GREAT WAR
(In dollars—at exchange parities)

NATIONS	(000,000 omitted)	a TOTAL FIGURES (000,000 omitted)				PER CAPITA FIGURES			PER CENT NATIONAL INCOME				
		Public Debt, Interest & Management	Military Expenses	Civil Expenses	b Total Expenses	Debt Charge	Military Expenses	Total Expenses	Debt Charge	Military Expenses	Total Expenses		
ALLIED AND ASSOCIATED POWERS													
British Empire		96	357	329	782	2.00	7.76	17.00	.88	3.27	7.17		
Great Britain	46	3	14	74	91	.60	2.80	18.20	.23	1.08	5.00		
Australia	5	14	11	172	197	1.75	1.37	24.62	.70	.55	9.85		
Canada	8	49	96	240	385	.20	.39	1.58	1.63	3.20	12.83		
India	244	13	.....	85	98	13.00	.....	08.00	4.33	.....	32.66		
New Zealand	1	23	.....	73	96	3.83	.....	16.00	2.87	.....	12.00		
Union South Africa	6	9	.....	105	114	.24	.....	3.00	.60	.....	7.60		
c Crown Colonies, etc.	38												
Total Empire	348	207	478	1,078	1,763	.50	1.37	5.06	1.05	2.41	8.90		
Belgium	8	39	17	47	103	4.87	2.12	12.87	3.55	1.55	9.27		
France	40	250	311	276	837	6.25	7.77	20.92	3.42	4.26	11.47		
Greece	5	11	43	21	75	2.20	8.60	15.00	3.33	13.03	22.73		
Italy (1914)	36	103	177	210	490	2.86	4.02	13.61	2.64	4.54	12.56		
Japan	53	58	99	89	246	1.07	1.87	4.64	3.56	6.10	15.37		
Portugal	6	30	15	31	76	5.00	2.50	12.67	12.50	6.25	31.67		
Rumania	7	14	17	72	103	2.00	2.43	14.71	4.00	4.86	20.43		
Russia	174	218	410	982	1,610	1.25	2.36	9.25	2.01	5.47	21.47		
Serbia	5	6	6	12	24	1.20	1.20	4.80	2.61	2.61	10.43		
United States	98	23	440	238	701	.23	4.40	7.15	.07	1.28	2.04		
Total Allies	780	959	2,013	3,056	6,028	1.23	2.58	7.73	1.25	2.62	7.85		
CENTRAL POWERS													
Austria Hungary	50	180	129	772	1,081	3.60	2.58	21.62	4.00	2.87	24.02		
Bulgaria	5	8	37	28	73	1.60	7.40	14.60	3.20	14.80	20.20		
Germany	68	59	353	135	547	.87	5.10	8.04	.56	3.36	5.21		
Turkey	21	26	69	60	155	1.18	3.28	7.38	2.47	6.57	14.76		
Total	144	273	588	995	1,856	1.60	4.08	12.80	1.67	3.61	11.38		
Grand Total	924	1,232	2,601	4,051	7,884	1.33	2.81	8.53	1.32	2.70	8.47		

a In most cases the figures are an average of the expenditures for the three fiscal years 1911 (1911-12) to 1913 (or 1913-14) inclusive.
 In some cases the figures for 1913 (or 1913-14), alone, have been taken.
 b Only the net results of the operation of public services have been taken. c Estimated.

TABLE II—PRE-WAR ANNUAL RECEIPTS OF ACTIVE BELLIGERENTS IN GREAT WAR
(In dollars—at exchange parities)

NATIONS		(000,000 omitted)	a TOTAL FIGURES (000,000 omitted)					PER CAPITA FIGURES				PER CENT. NATIONAL INCOME	
			Taxes	Other Revenue	Total Revenue	Borrowing	b Total Receipts	National Income	Taxes	Borrowing	Total Receipts	Taxes	Total Receipts
ALLIED AND ASSOCIATED POWERS													
British Empire	46	767	51	818	-41	777	236.95	16.67	-80	16.89	7.03	7.13	
Great Britain	81	81	3	84	9	93	260.00	16.20	1.80	18.00	6.23	7.15	
Australia	8	126	9	136	61	197	250.00	15.75	7.62	24.62	6.30	9.85	
Canada	244	129	221	350	22	372	12.29	.53	.09	1.52	4.31	12.40	
India	1	30	53	83	23	106	300.00	30.00	23.00	100.00	10.00	35.33	
New Zealand	6	48	26	74	22	96	133.33	8.00	3.67	16.00	6.00	12.00	
Union So. Africa	38	80	26	106	17	123	39.47	2.10	.45	3.24	5.32	8.20	
c Crown Colonies, etc.													
Total Empire	348	1,261	389	1,651	113	1,764	56.90	3.62	.32	5.07	6.36	8.01	
Belgium	8	69	13	82	21	103	137.50	8.62	2.62	12.87	6.27	9.36	
France	40	660	173	833	22	855	182.50	16.50	.55	21.37	9.04	11.71	
Greece	5	25	18	43	32	75	66.00	5.00	6.40	15.00	8.33	22.73	
Italy	36	289	169	458	32	490	108.33	8.03	.80	13.61	7.41	12.56	
Japan	53	191	56	247	7	254	30.19	3.60	.13	4.79	11.92	15.87	
Portugal	6	50	27	77	-1	76	40.00	8.33	-17	12.67	20.82	31.67	
Rumania	7	23	96	119	-16	103	50.00	3.28	-2.28	14.71	6.56	20.43	
Russia	174	581	1,059	1,640	.....	1,640	43.10	3.34	.....	9.43	7.75	21.87	
Serbia	5	12	12	24	.....	24	46.00	2.40	.....	4.80	5.22	10.43	
United States	98	672	29	701	-4	697	351.02	6.86	-.04	7.11	1.95	2.03	
Total Allies	780	3,833	2,041	5,875	206	6,081	98.39	4.93	.26	7.82	4.99	7.92	
CENTRAL POWERS													
Austria-Hungary	50	317	764	1,081	.....	1,081	.90	6.34	.....	21.62	7.04	24.02	
Bulgaria	5	21	12	33	40	73	50.00	4.20	8.00	14.60	8.40	29.20	
Germany	68	508	46	554	6	560	154.41	7.47	.09	8.23	4.84	5.33	
Turkey	21	88	44	132	23	155	50.00	4.19	1.09	7.38	8.38	14.76	
Total	144	934	866	1,800	69	1,869	113.19	6.48	.48	12.98	5.73	11.46	
Grand Total	924	4,767	2,907	7,675	275	7,950	100.70	5.16	.30	8.62	5.12	8.54	

a In most cases the average receipts of the three fiscal years 1911 (or 1911-12) to 1913 (or 1913-14) inclusive.

In some cases the figures for 1913 (or 1913-14) alone have been taken.

b Only the net results of the operation of public services have been taken. c Estimated.

TABLE III—PRE-WAR NATIONAL DEBTS OF ACTIVE BELLIGERENTS IN THE GREAT WAR
(In dollars—at exchange parities)

NATIONS	aTotal FIGURES (000,000 OMITTED)					PER CAPITA FIGURES		Debt % National Wealth
	Internal Debt			Foreign Debt	Total Debt	Debt	Wealth	
	Funded	Floating	Total					
ALLIED AND ASSOCIATED POWERS	3,098	338	3,436		3,436	74.69	1,521.74		4.91
British Empire	76	.....	76	17	93	18.60	1,720.00	1.08
Great Britain	1	232	233	311	544	68.00	1,831.25	3.71
Australia	634	.....	634	862	1,496	6.13	122.05	4.90
Canada	82	.....	82	403	485	485.00	1,860.00	26.07
India	54	36	90	524	614	102.33	833.34	12.28
New Zealand	.....	.....	.....	229	229	6.03	263.16	2.29
Union of South Africa	.....	.....	.....	.....	.....	.....	.....	.....
Crown Colonies, etc.	.....	.....	.....	.....	.....	.....	.....	.....
Empire without India	.....	.....	.....	.....	5,401	51.93	1,058.75	4.90
Total Empire	3,945	606	4,551	2,346	6,897	19.82	402.61	4.92
Belgium	700	65	855	38	893	111.62	718.75	15.53
France	6,288	310	6,598	.....	6,598	164.95	1,447.50	11.40
Greece	23	49	72	163	235	47.00	550.00	8.54
Italy	2,864	170	3,034	.....	3,034	84.28	605.55	13.92
Japan	525	.....	525	762	1,287	24.28	220.07	11.05
Portugal	340	164	504	199	703	117.17	400.00	20.29
Rumania	281	.....	281	.....	281	40.14	500.00	8.03
Russia	2,466	77	2,543	1,998	4,541	26.10	335.63	7.77
Serbia	70	.....	70	.....	70	14.00	460.00	3.04
United States	968	220	1,188	.....	1,188	10.48	2,061.85	0.67
Total Allied Powers	18,560	1,661	20,221	5,506	25,727	32.98	640.43	5.08
CENTRAL POWERS	3,556	400	3,956	.....	3,956	79.12	600.00	13.19
Austria-Hungary	.....	30	30	144	174	34.80	500.00	6.96
Bulgaria	.....	95	1,285	.....	1,285	18.00	1,183.82	1.60
Germany	1,190	176	176	667	843	40.14	500.00	8.03
Turkey	.....	.....	.....	.....	.....	.....	.....	.....
Total	4,746	701	5,447	811	6,258	43.46	857.63	5.07
Grand Total	23,306	2,362	25,668	6,317	31,985	34.61	681.88	5.07

Figures are for the close of the fiscal year next preceding the opening of hostilities. August 1914.

TABLE IV—*a*THE COST OF THE WAR—ENTIRE PERIOD
COVERING THE SIX FISCAL YEARS 1914 (OR 1914-15) TO 1919 (OR 1919-20) INCLUSIVE
(In "Currency" dollars—000,000 omitted)
(For cost of the war in "1913" dollars, see page 13)

NATIONS	DATE OF ENTERING WAR	I TOTAL EXPEN- DITURE	II NORMAL EXPENDITURE		III DIRECT COST		IV LOANS TO ALLIES		V GROSS COST		VI Deduct LOANS FROM ALLIES	VII NET COST
			% Col. I	% Col. I	% Col. V	% Col. V	% Col. V	% Col. I				
ALLIED AND ASSOCIATED POWERS												
British Empire.												
Great Britain	Aug. 1914	53,907	4,692	8.71	40,445	82.18	8,770	17.82	49,215	91.20	5,403	43,812
Australia	Aug. 1914	2,320	548	23.62	1,772	100.00			1,772	76.38	162	1,610
Canada	Aug. 1914	3,712	1,180	31.79	2,321	91.67	211	8.33	2,532	68.21	— 8	2,540
India	Aug. 1914	3,344	2,312	69.14	1,032	100.00			1,032	30.86		1,032
New Zealand	Aug. 1914	1,141	586	51.36	555	100.00			555	48.64	120	426
Union of South Africa	Aug. 1914	774	576	74.42	198	100.00			198	25.58	56	142
cCrown Colonies, Pro- tectorates, etc.	Aug. 1914	886	684	77.20	202	100.00			202	22.80		202
Total British Empire	Aug. 1914	66,084	10,578	16.01	46,525	83.82	8,081	10.18	55,506	83.99	5,742	49,764
Neutral Powers												
cBelgium	Aug. 1914	2,004	618	30.84	1,386	100.00			1,386	69.16	1,386	1,386
cFrance	Aug. 1914	38,577	5,020	13.01	30,740	91.60	2,817	8.40	33,557	86.00	5,397	28,160
cGreece &	Aug. 1916	560	234	41.79	326	100.00			326	58.21	284	42
Italy	May 1915	21,574	2,942	13.64	18,632	100.00			18,632	86.36	3,911	14,721
Japan	Aug. 1914	2,040	1,476	72.35	564	100.00			564	27.65		564
cPortugal	Mar. 1916	1,145	456	39.83	689	100.00			689	60.17	91	598
cRumania	Aug. 1916	1,503	411	27.35	1,092	100.00			1,092	72.65	413	679
cRussia	Aug. 1914	25,857	5,903	22.83	19,662	98.54	292	1.46	19,954	77.17	3,625	16,329
cSerbia	Aug. 1914	579	144	25.17	435	100.00			435	74.83	435	435
United States	April 1917	30,447	2,804	7.20	27,060	73.07	0,523	20.03	36,583	92.74	397	36,186
Total Allies . . . . .	.....	199,370	30,646	15.37	147,111	87.19	21,613	12.81	168,724	84.63	21,081	147,043
CENTRAL POWERS												
dAustria-Hungary	Aug. 1914	19,801	5,407	27.31	14,394	100.00			14,394	72.60	1,000	13,394
cBulgaria	Oct. 1915	1,270	472	37.17	798	100.00			798	62.83	476	322
Germany	Aug. 1914	50,330	3,282	6.52	45,001	95.65	2,047	4.35	47,048	93.48		47,048
cTurkey	Nov. 1914	2,199	932	42.38	1,267	100.00			1,267	57.62	571	696
Total Central Powers	.....	73,600	10,093	13.71	61,460	96.77	2,047	3.23	63,507	86.20	2,047	61,460
Grand Total . . . . .	.....	272,970	40,739	14.92	228,571	80.81	23,660	10.10	232,231	85.08	23,728	208,503

TABLE V—*a*THE COST OF THE WAR—FIRST PART
FISCAL YEARS 1914 (OR 1914-15) TO 1916 (OR 1916-17) INCLUSIVE
(In "Currency" dollars—000,000 omitted)

NATIONS	Public Debt, Int. & Man- age- ment	% Direct Cost	Mili- tary	% Direct Cost	Other Special War Ex- pendi- tures	% Di- rect Cost	Civil Gov- ern- ment	% Direct Cost	Direct Cost	% Gross Cost	Loans to Allies	% Gross Cost	Gross Cost	% Total Exp. for Period	Total Ex- pendi- tures for Period
ALLIED AND ASSOCIATED POWERS															
British Empire .	730	5.28	11,750	84.04	1,281	9.26	72	.52	13,833	75.70	4,440	24.30	18,273	88.62	20,619
Great Britain .	43	6.72	525	82.03	.....	.....	72	11.25	640	100.00	.....	.....	640	70.02	914
Australia . . .	34	6.71	522	102.06	17	3.35	-66	-13.02	507	74.89	170	25.11	677	53.44	1,267
Canada	7	233.34	42	1400.00	.....	.....	-46	-1533.34	3	100.00	.....	.....	3	0.26	1,150
India	11	4.64	132	55.70	.....	.....	94	39.66	237	100.00	.....	.....	237	44.72	530
New Zealand .	11	11.95	111	120.65	.....	.....	-30	-32.60	92	100.00	.....	.....	92	24.21	380
Union So. Africa	.....	.....	.....	.....	.....	.....	8	100.00	8	100.00	.....	.....	8	2.29	350
cCrown Colonies, Protect., etc.	c ¹	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total British .	836	5.46	13,082	85.39	1,298	8.47	104	.68	15,320	76.87	4,610	23.13	19,930	79.02	25,219
cBelgium . . .	c ¹	.....	520	100.00	.....	.....	.....	.....	520	100.00	.....	.....	520	62.73	829
cFrance	530	6.53	7,140	87.34	70	.86	435	5.36	8,175	90.30	869	9.67	9,044	78.41	11,554
Italy	263	5.35	4,510	91.80	.....	.....	140	2.85	4,913	100.00	.....	.....	4,913	76.06	6,384
Japan	-6	-16.22	-16	-43.24	.....	.....	59	159.46	37	100.00	.....	.....	37	4.77	775
cPortugal . . .	c ¹	.....	142	94.04	.....	.....	9	5.96	151	100.00	.....	.....	151	39.84	379
cRumania . . .	c ¹	.....	95	100.00	.....	.....	.....	.....	95	100.00	.....	.....	95	47.98	198
Russia	724	5.08	9,557	78.95	.....	.....	1,824	15.07	12,105	98.41	195	1.59	12,300	71.80	17,130
cSerbia	c ¹	.....	207	100.00	.....	.....	.....	.....	207	100.00	.....	.....	207	.....	279
United States .	2	.43	389	83.30	15	3.21	61	13.06	467	34.54	885	65.46	1,352	65.38	2,068
Total Allies .	.....	.....	35,626	84.84	1,383	3.30	2,632	6.28	41,990	86.49	6,559	13.53	48,549	74.90	64,815
CENTRAL POWERS															
cAustria Hungary	c ¹	.....	7,970	109.82	.....	.....	-713	-9.82	7,257	100.00	.....	.....	7,257	60.11	10,503
cBulgaria . . .	14	175.00	-38	-475.00	.....	.....	16	200.00	-8	-100.00	.....	.....	-8	-3.81	210
Germany	875	7.39	10,658	80.00	398	3.36	-88	-74	11,843	89.79	1,347	10.21	13,190	88.94	14,831
cTurkey	c ¹	.....	594	100.00	.....	.....	.....	.....	594	100.00	.....	.....	594	56.04	1,060
Total Cen. Pws.	.....	.....	19,184	97.44	398	2.02	-785	-3.98	19,686	93.59	1,347	6.41	21,033	70.06	26,604
Grand Total .	.....	.....	54,810	88.87	1,781	2.80	1,847	3.00	61,676	88.64	7,906	11.37	69,582	76.11	91,419

FISCAL YEARS 1914 (OR 1914-15) TO 1916 (OR 1916-17) INCLUSIVE
(In "1913" dollars—000,000 omitted)

NATIONS		Public Debt, Int. & Management	% Direct Cost	Military	% Direct Cost	Other Special War Expenditures	% Direct Cost	Civil Government	% Direct Cost	Direct Cost	% Gross Cost	Loans to Allies	% Gross Cost	Gross Cost	% Expenditure Period	Total Expenditures for Period
ALLIED AND ASSOCIATED POWERS																
British Empire																
Great Britain		395	4.42	7,803	87.28	922	10.31	-180	-2.01	8,940	75.23	2,944	24.77	11,884	83.57	14,230
Australia		28	7.47	359	95.73			-12	-3.20	375	100.00			375	57.78	649
Canada		23	6.72	425	124.27	11	3.22	-117	-34.21	342	71.85	134	28.15	476	44.05	1,066
India		-10	-8.20	4	3.28			-116	-95.08	-122	100.00			-122	-11.80	1,034
New Zealand		2	1.30	104	72.22			38	26.39	144	100.00			144	32.95	437
Union So. Africa		4	6.35	105	166.67			-46	-73.02	63	100.00			63	17.95	351
Crown Colonies, Protect., etc.		c ¹						-70	-100.00	-70	100.00			-70	-27.78	272
Total Empire.																
		442	4.57	8,800	90.08	933	9.65	-503	-5.20	9,672	75.86	3,078	24.14	12,750	70.76	18,039
Belgium		c ¹		388	100.00					388	100.00			388	55.67	697
France		114	2.41	4,520	95.54	38	.80	59	1.25	4,731	90.41	502	9.59	5,233	67.58	7,743
Greece																
Italy		21	1.01	2,184	105.20			-120	-6.21	2,076	100.00			2,076	58.53	3,547
Japan		-14		-31				45								738
Portugal		c ¹		35	100.00					35	100.00			35	-13.31	263
Rumania		c ¹						-48	1.00	-48	100.00			-48	-87.27	55
Russia		413	7.34	4,355	77.30			859	15.27	5,627	96.65	195	3.35	5,822	54.66	10,652
Serbia		c ¹		148	100.00					148	100.00			148	66.07	221
United States		-6	-7.14	119	141.67	9	10.71	-38	-45.24	84	12.61	582	87.39	666	48.97	1,360
Total Allies.																
		c ¹		20,518	90.34	980	4.31	245	1.08	22,713	83.90	4,357	16.10	27,070	62.52	43,315
CENTRAL POWERS																
Austria Hungary		c ¹		5,337	134.67			-1,374	-34.67	3,963	100.00			3,963	54.97	7,209
Bulgaria		2	2.35	-74	87.06			-13	15.20	-85	100.00			-85	-63.91	133
Germany		546	7.02	7,127	91.68	264	3.39	-103	2.09	7,774	80.08	953	10.92	8,727	84.17	10,308
Turkey		c ¹		417	100.00					417	100.00			417	47.23	883
Total Cent. Pws.																
		c ¹		12,807	106.11	264	2.19	-1,550	-12.84	12,069	92.68	953	7.32	13,022	70.04	18,593
Grand Total																
		c ¹		33,325	95.81	1,244	3.58	-1,305	-3.75	34,782	86.76	5,310	13.24	40,092	64.78	61,908

TABLE VII—*a*THE COST OF THE WAR—SECOND PART
FISCAL YEARS 1917 (OR 1917-18) TO 1919 (OR 1919-20) INCLUSIVE
(In "Currency" dollars—000,000 omitted)

NATIONS	Public Debt, Int. & Man- age- ment	% Di- rect Cost	Mili- tary	% Direct Cost	Other Special War Ex- pendi- tures	% Di- rect Cost	Civil Gov- ern- ment	% Direct Cost	Direct Cost	% Gross Cost	Loans to Allies	% Gross Cost	Gross Cost	% Total Ex- pend. for Period	Total Ex- pendi- tures for Period
ALLIED AND ASSOCIATED POWERS															
British Empire															
Great Britain . . .	3,565	13.40	19,420	72.07	2,891	10.86	736	2.77	26,612	86.00	4,330	14.00	30,942	92.95	33,288
Australia . . .	189	16.70	887	78.35	15	.83	56	4.05	1,132	100.00	.....	.....	1,132	80.51	1,406
Canada . . .	194	10.70	1,217	67.08	.....	.....	388	21.39	1,814	97.79	41	2.21	1,855	75.87	2,445
India . . .	117	11.37	353	34.30	486	47.23	73	7.10	1,029	100.00	.....	.....	1,029	47.09	2,185
New Zealand . . .	47	14.78	308	66.85	.....	.....	-37	-11.63	318	100.00	.....	.....	318	52.35	611
Union of So. Africa	28	26.42	42	39.62	.....	.....	30	33.96	106	100.00	.....	.....	106	23.90	394
cCrown Colonies, Protectorates, etc.	c ¹	.....	c ¹	.....	.....	.....	194	100.00	194	100.00	.....	.....	194	36.19	536
Total Empire . . .	4,140	13.27	22,227	71.22	3,392	10.88	1,446	4.63	31,205	87.71	4,371	12.29	35,576	87.06	40,865
Total Allies															
cBelgium . . .	c ¹	.....	866	100.00	.....	.....	.....	.....	866	100.00	.....	.....	866	62.39	1,175
gFrance . . .	3,158	14.00	14,842	65.75	2,082	9.24	2,483	11.01	22,565	92.05	1,948	7.05	24,513	90.71	27,023
Greece . . .	21	6.44	227	60.63	.....	.....	78	23.93	326	100.00	.....	.....	326	58.21	560
Italy . . .	1,501	10.05	10,211	74.44	198	1.43	1,809	13.18	13,719	100.00	.....	.....	13,719	90.31	15,190
Japan . . .	3	.57	296	56.17	.....	.....	228	43.26	527	100.00	.....	.....	527	41.66	1,205
cPortugal . . .	c ¹	.....	361	67.10	.....	.....	177	32.90	538	100.00	.....	.....	538	70.24	766
cRumania . . .	c ¹	.....	997	100.00	.....	.....	.....	.....	997	100.00	.....	.....	997	76.40	1,305
jRussia . . .	909	12.03	4,490	59.41	.....	.....	2,158	28.56	7,557	93.73	97	1.27	7,654	87.70	8,727
cSerbia . . .	c ¹	.....	228	100.00	.....	.....	.....	.....	228	100.00	.....	.....	228	75.75	300
United States . . .	1,769	6.65	18,788	70.65	908	3.42	5,128	19.28	26,593	75.48	8,638	24.52	35,231	94.25	37,379
Total Allies . . .	c ¹	.....	73,533	69.95	6,580	6.26	13,507	12.86	105,121	87.46	15,054	12.54	120,175	89.31	134,555
CENTRAL POWERS															
eAustria-Hungary . .	c ¹	.....	6,705	93.95	.....	.....	432	6.05	7,137	100.00	.....	.....	7,137	76.74	9,301
cBulgaria . . .	62	7.66	564	60.08	.....	.....	180	22.33	806	100.00	.....	.....	806	76.04	1,060
Germany . . .	4,984	15.03	19,176	57.83	4,102	12.37	4,896	14.77	33,158	97.93	7700	2.07	33,858	95.37	35,499
cTurkey . . .	c ¹	.....	673	100.00	.....	.....	.....	.....	673	100.00	.....	.....	673	59.08	1,139
Total Cen. Pws. . .	c ¹	.....	27,118	64.92	4,102	9.82	5,508	13.18	41,774	98.35	700	1.65	42,474	90.37	46,000

TABLE VIII—aTHE COST OF THE WAR—SECOND PART

FISCAL YEARS 1917 (OR 1917-18) TO 1919 (OR 1919-20) INCLUSIVE

(In "1913" dollars—000,000 omitted)

NATIONS	Public Debt, Int. & Man-agement	% Di-rect Cost	Mili-tary	% Direct Cost	Other Special War Ex-pen-ditures	% Di-rect Cost	Civil Gov-ern-ment	% Direct Cost	Direct Cost	% Gross Cost	Loans to Allies	% Gross Cost	Gross Cost	% Total Ex-pend-iture for Period	Total Ex-pen-ditures for Period
ALLIED AND ASSOCIATED POWERS															
British Empire	1,343	13.02	7,980	77.35	1,251	12.12	-257	-2.40	10,317	84.16	1,942	15.84	12,259	83.94	14,605
Great Britain	97	19.84	465	95.00	.....	.....	-73	-14.93	489	100.00	.....	.....	489	64.00	763
Australia	74	12.13	591	96.88	5	0.82	-60	-9.83	610	96.06	25	3.94	635	51.84	1,225
Canada	5	3.52	72	50.70	331	233.10	-266	-187.32	142	100.00	.....	.....	142	10.94	1,298
India	12	17.64	182	267.65	.....	.....	-126	-185.20	68	100.00	.....	.....	68	18.84	361
New Zealand	-8	22.22	27	-75.00	.....	.....	-55	152.78	-36	100.00	.....	.....	-36	-14.28	252
cUnion of So. Africa	c ¹	.....	.....	.....	.....	.....	-34	100.00	-34	100.00	.....	.....	-34	-11.80	308
Crown Colonies, Protectorate, etc.	1,523	13.18	9,317	80.62	1,587	13.73	-871	-7.53	11,556	85.45	1,967	14.55	13,523	71.06	18,812
Total Empire	c ¹	.....	274	100.00	.....	.....	.....	.....	274	100.00	.....	.....	274	47.00	583
cBelgium	464	8.64	4,118	76.64	600	11.17	191	3.55	5,373	89.92	602	10.08	5,975	70.42	8,485
cFrance	-18	26.00	-25	36.23	2	-2.00	-28	40.58	-69	100.00	.....	.....	-69	-44.52	155
Greece	141	5.84	2,276	94.32	48	1.99	-52	-2.15	2,413	100.00	.....	.....	2,413	62.13	3,884
Italy	-80	93.02	5	-5.81	.....	.....	-11	12.79	-86	100.00	.....	.....	-86	-13.10	652
cJapan	c ¹	.....	139	100.00	.....	.....	.....	.....	139	100.00	.....	.....	139	36.68	379
cPortugal	c ¹	.....	.....	.....	.....	.....	-153	100.00	-153	100.00	.....	.....	-153	-98.71	155
cRumania	303	17.42	814	46.81	.....	.....	622	35.77	1,739	94.72	97	5.28	1,836	63.11	2,909
cRussia	c ¹	.....	73	100.00	.....	.....	.....	.....	73	100.00	.....	.....	73	50.34	145
cSerbia	798	6.53	8,847	72.45	445	3.64	2,122	17.38	12,212	73.25	4,459	26.75	16,671	88.89	18,754
United States	c ¹	.....	25,838	77.20	2,682	8.01	1,820	5.44	33,471	82.45	7,125	17.55	40,596	73.05	54,913
Total Allies	c ¹	.....	2,475	167.80	.....	.....	-1,000	-67.80	1,475	100.00	.....	.....	1,475	40.53	3,639
CENTRAL POWERS															
cAustria Hungary	-10	13.38	-54	38.03	.....	.....	-69	48.50	-142	100.00	.....	.....	-142	125.60	113
cBulgaria	1,612	14.88	7,142	65.04	1,218	11.25	859	7.93	10,831	96.90	f336	3.01	11,167	87.19	12,808
cGermany	c ¹	.....	204	100.00	.....	.....	.....	.....	264	100.00	.....	.....	264	36.16	730
cTurkey	c ¹	.....	9,827	79.07	1,218	9.80	-210	-1.60	12,428	97.37	336	2.63	12,764	73.82	17,290
Total Cen. Pws.	c ¹	.....	35,665	77.70	3,900	8.50	1,610	3.51	45,899	86.02	7,461	13.98	53,360	73.02	72,203
Grand Total	c ¹	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

TABLE IX--HOW THE WAR WAS PAID FOR--ENTIRE PERIOD
COVERING THE SIX YEARS 1914 (OR 1914-1915) TO 1919 (OR 1919-1920)
(In "Currency" dollars--000,000 omitted)

COVERING THE SIX YEARS 1914 (OR 1914-15) TO 1919 (OR 1919-20) INCLUSIVE
(In "1913" dollars—000,000 omitted)

NATIONS	REVENUE IN EXCESS OF PRE-WAR BASIS			BORROWING IN EXCESS OF PRE-WAR BASIS						TOTAL INCREASED ON WAR RECEIPTS		bRECEIPTS PRE-WAR BASIS		Grand Total Receipts for Period
	Basis	% War Re-ceipts	AT HOME	FROM ALLIES		OTHER FOREIGN		TOTAL		% Grand Total	% Grand Total	% Grand Total		
				% War Re-ceipts	% War Re-ceipts	% War Re-ceipts	% War Re-ceipts	% War Re-ceipts						
ALLIED AND ASSOCIATED POWERS														
British Empire														
Great Britain	4,521	18.4	16,082	2,909	11.8	1,067	4.4	20,058	81.6	24,579	83.4	4,902	16.6	20,481
Australia	55	6.1	706	113	12.6	26	2.9	845	93.9	900	61.6	560	38.4	1,460
Canada	-58	-5.2	1,158	61	5.5	-54	-4.9	1,165	105.2	1,107	48.4	1,180	31.6	2,287
India	-255	-180.8	416	.....	.....	-20	-14.2	396	280.8	141	5.9	2,234	94.1	2,375
New Zealand	1	0.5	247	76	36.0	-113	-53.6	210	99.5	211	25.0	634	75.0	845
Union South Africa	-49	-544.4	118	66	733.3	-126	-1400.0	58	644.4	9	1.6	572	98.4	581
cCrown Colonies, Protect., etc.	-32	33.0	.....	.....	.....	-65	67.0	-65	67.0	-97	-15.1	738	115.1	641
Total British Emp.	4,183	15.6	18,727	3,225	12.0	715	2.7	22,667	84.4	26,850	71.3	10,820	28.7	37,670
CENTRAL POWERS														
cBelgium	-2,047	-18.4	10,619	662	100.0	.....	.....	662	100.0	662	31.7	618	48.3	1,280
France	-66	95.6	.....	1,926	17.3	606	5.5	13,151	118.4	11,104	68.4	5,130	31.6	16,234
dGreece	-50	.....	-11	74	-107.2	-66	95.7	-3	4.4	-69	-44.5	224	144.5	135
Italy	15	250.0	3,314	1,278	28.1	.....	.....	4,592	101.1	4,542	60.7	2,940	39.3	7,482
cPortugal	-102	-58.6	e-0	.....	.....	.....	.....	-9	-150.0	6	0.4	1,524	99.6	1,530
cRumania	-417	207.4	e236	40	23.0	.....	.....	276	158.6	174	27.6	456	72.4	630
cRumania	-417	207.4	e216	.....	.....	.....	.....	216	-107.4	-201	-95.2	412	195.2	211
Russia	-2,678	-35.8	7,632	2,289	30.6	236	3.1	10,157	135.8	7,479	55.2	6,082	44.8	13,561
cSerbia	.....	.....	.....	227	100.0	.....	.....	227	100.0	227	61.2	144	38.8	371
United States	5,458	30.1	12,485	198	1.1	.....	.....	12,683	69.9	18,141	86.7	2,787	13.3	20,928
Total Allies	4,296	6.2	53,209	9,919	14.4	1,491	2.2	64,619	93.8	68,915	68.9	31,137	31.1	100,052
CENTRAL POWERS														
fAustria-Hungary	-1,516	-27.0	6,241	711	13.1	.....	.....	6,952	127.0	5,436	50.1	5,410	49.9	10,846
cBulgaria	-92	40.5	-182	47	-20.7	.....	.....	-135	59.5	-227	-92.3	473	192.3	246
cGermany	398	2.0	19,409	.....	.....	9	0.0	19,418	98.0	19,816	85.5	3,360	14.5	23,176
cTurkey	-36	-5.4	353	348	52.3	.....	.....	701	105.4	665	41.7	930	58.3	1,595
Total Cent. Pwrs.	-1,246	-4.8	25,821	1,106	4.3	9	0.0	26,936	104.8	25,690	71.6	10,173	28.4	35,863
Grand Total	3,050	3.2	79,030	11,025	11.7	1,500	1.6	91,555	96.8	94,605	69.6	11,310	30.4	135,915

TABLE XI—*a*HOW THE WAR WAS PAID FOR—FIRST PART
FISCAL YEARS 1914 (OR 1914-15) TO 1916 (OR 1916-17) INCLUSIVE
(In "Currency" dollars—000,000 omitted)

NATIONS	RECEIPTS FOR WAR FOR PERIOD				Total Re- ceipts for War	bNORMAL RECEIPTS FOR PERIOD			TOTAL RECEIPTS FOR PERIOD		
	Rev- enue	Borrowing				Rev- enue	Bor- rowing	Total	Rev- enue	Bor- rowing	All Re- ceipts
		At Home	From Allies	Other Foreign							
ALLIED AND ASSOCIATED POWERS											
British Empire	2,695	13,735	672	1,144	18,246	2,451	.....	2,451	5,146	15,551	20,697
Great Britain	100	435	162	34	631	731	26	280	354	657	1,011
Australia	23	378	173	103	654	677	184	590	429	838	1,267
Canada	30	11	.....	15	56	1,050	67	1,117	1,080	93	1,173
India	126	114	71	-58	127	253	67	317	376	194	570
New Zealand	-2	39	95	-63	69	220	66	286	218	137	355
Union of South Africa	48	.....	.....	-22	26	318	51	369	366	29	395
cCrown Colonies, Protector- ates, etc.	3,020	14,712	1,173	1,153	20,058	4,949	461	5,410	7,969	17,499	25,468
Total Empire	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
cBelgium	-222	.....	520	.....	520	246	63	309	246	583	829
France	769	7,775	647	789	8,989	2,499	66	2,565	2,277	9,277	11,554
Italy	62	3,077	1,068	.....	4,914	1,374	96	1,470	2,143	4,241	6,384
Japan	28	-12	.....	.....	50	741	21	762	803	9	812
cPortugal	.....	113	10	.....	123	230	-2	228	258	121	379
cmRumania	-46	2	139	.....	141	119	-16	103	73	125	198
Russia	-1,021	10,087	2,913	231	12,210	4,920	.....	4,920	3,899	13,231	17,130
cSerbia	.....	207	.....	.....	207	72	.....	72	72	207	279
United States	397	1,738	.....	.....	1,738	709	12	721	1,106	1,750	2,856
Total Allies	2,987	37,492	6,677	2,173	49,329	15,859	701	16,560	18,846	47,043	65,889
CENTRAL POWERS											
Austria-Hungary	255	6,000	1,000	.....	7,255	3,246	.....	3,246	3,501	7,000	10,501
Bulgaria	21	-30	.....	.....	9	99	120	219	120	90	210
Germany	-22	13,163	.....	10	13,151	1,662	18	1,680	1,640	13,191	14,831
Turkey	-26	274	347	.....	595	396	69	465	370	690	1,060
Total Central Powers	228	19,407	1,347	10	20,764	5,403	207	5,610	5,631	20,971	26,602
Grand Total	3,215	56,800	8,024	2,182	70,321	21,262	908	22,170	24,477	69,678	94,849

FISCAL YEARS 1914 (OR 1914-15) TO 1916 (OR 1916-17) INCLUSIVE (In "1913" dollars—000,000 omitted)

NATIONS	RECEIPTS FOR WAR FOR PERIOD					NORMAL RECEIPTS FOR PERIOD			RECEIPTS FOR PERIOD		
	Rev- enue	Borrowing				Total Re- ceipts for War	Rev- enue	Bor- rowing	Total	Rev- enue	Bor- rowing
		At Home	From Allies	Other Foreign	Total						
ALLIED AND ASSOCIATED POWERS											
British Empire	1,161	9,631	507	901	11,039	12,200	2,451	.....	2,451	3,612	11,039
Great Britain	.....	309	113	16	438	438	254	26	280	718	404
Australia	—39	302	154	59	515	476	406	184	590	307	699
Canada	—98	.....	.....	29	29	—69	1,050	67	1,117	952	96
India	60	87	50	—58	79	139	250	67	317	310	146
New Zealand	—22	34	83	—63	54	32	220	66	286	198	120
Union South Africa	—37	.....	.....	—51	—51	—88	318	51	369	281	.....
Crown Colonies, Protector- ates, etc.	1,025	10,363	907	833	12,103	13,128	4,949	461	5,410	5,974	12,564
Total Empire	.....	.....	388	.....	388	388	246	63	309	246	451
cBelgium	—835	5,156	370	491	6,017	5,182	2,499	66	2,565	1,664	6,083
France	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Greece	—122	1,674	525	.....	2,199	2,077	1,374	.....	1,470	1,252	2,295
Italy	19	—13	.....	.....	—13	6	741	21	762	760	8
Japan	—53	82	6	.....	88	35	231	—3	228	178	85
cPortugal	—99	51	.....	.....	51	—48	119	—16	103	20	35
cRumania	—2,405	5,972	1,981	184	8,137	5,732	4,920	.....	4,920	2,515	8,137
Russia	.....	.....	155	.....	155	155	72	.....	72	72	155
cSerbia	41	1,141	.....	.....	1,141	1,182	686	11	697	727	1,152
United States	—2,429	24,426	4,332	1,508	30,266	27,837	15,837	699	16,536	13,408	30,965
Total Allies	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
CENTRAL POWERS											
cAustria-Hungary	—822	4,073	711	.....	4,784	3,962	3,246	.....	3,246	2,424	4,784
cBulgaria	—14	—70	.....	.....	—70	—84	99	120	219	85	50
Germany	—427	9,106	.....	9	9,115	8,688	1,662	18	1,680	1,235	9,133
cTurkey	—31	191	242	.....	433	402	396	69	465	365	502
Total Central Powers	—1,294	13,300	953	9	14,262	12,968	5,403	207	5,610	4,109	14,469
Grand Total	—3,723	37,726	5,285	1,517	44,528	40,805	21,240	906	22,146	17,517	45,434

TABLE XIV—HOW THE WAR WAS PAID FOR—SECOND PART

FISCAL YEARS 1917 (OR 1917-18) TO 1919 (OR 1919-20) INCLUSIVE

(In "1913" dollars—000,000 omitted)

NATIONS	RECEIPTS FOR WAR FOR PERIOD					bNORMAL RECEIPTS FOR PERIOD			GRAND TOTAL RECEIPTS FOR PERIOD		
	Rev- enue	Borrowing			Total Re- ceipts for War	Rev- enue	Bor- rowing	Total	Rev- enue	Bor- rowing	All Re- ceipts
		At Home	From Allies	Other Foreign							
ALLIED AND ASSOCIATED POWERS											
British Empire											
Great Britain	3,360	6,451	2,402	166	9,019	2,451	.....	2,451	5,811	9,019	14,830
Australia	55	397	.....	10	407	254	26	280	309	433	742
Canada	-19	856	-93	-113	650	406	184	590	387	834	1,221
India	-157	416	.....	-40	367	210	67	1,117	893	434	1,327
New Zealand	-59	160	26	-55	131	72	67	317	191	198	389
Union South Africa	-27	84	-17	-63	4	220	66	286	193	70	263
Crown Colonies, Protector- ates, etc.	5	.....	.....	-14	-14	318	51	369	323	37	360
Total British Empire	3,158	8,364	2,318	-118	10,564	4,949	461	5,410	8,107	11,025	19,132
CENTRAL POWERS											
Austria-Hungary	-694	2,168	.....	.....	2,168	2,164	.....	2,164	1,470	2,168	3,638
Bulgaria	-78	-112	47	.....	-65	114	141	255	36	76	112
Germany	825	10,303	.....	.....	10,303	1,662	18	1,680	2,487	10,321	12,808
Turkey	-5	162	106	.....	268	396	69	465	391	337	728
Total Central Powers	48	12,521	153	.....	12,674	4,336	228	4,564	4,384	12,902	17,286
Grand Total	6,773	41,304	5,740	-17	47,027	18,161	1,004	19,165	24,934	48,031	72,965

TABLE XV—NATIONAL DEBTS OF ACTIVE BELLIGERENTS IN THE GREAT WAR

STATUS AT CLOSE OF FISCAL YEAR 1916 OR 1916-17

(In "Currency" dollars—000,000 omitted)

NATIONS	INTERNAL DEBT			EXTERNAL DEBT			Total Na- tional Debts
	aFunded	bFloat- ing	Total	To Foreign Govern- ments	To Foreign Mar- kets	Total	
ALLIED AND ASSOCIATED POWERS							
British Empire							
Great Britain	13,937	4,022	17,959	671	1,144	1,815	19,774
Australia	518	21	539	232	52	284	823
Canada	340	303	643	181	558	739	1,382
India	681	18	699	.....	847	847	1,546
New Zealand	207	.....	207	71	354	425	632
Union South Africa .	96	17	113	43	596	639	752
Other . . . . .	.....	.....	.....	.....	258	258	258
Total Empire	15,779	4,381	20,160	1,198	3,809	5,007	25,167
CENTRAL POWERS							
Belgium . . . . .	.....	.....	.....	.....	.....	.....	.....
France	10,566	3,921	14,487	647	789	1,436	15,923
Greece	22	53	75	14	231	245	320
Italy	4,761	1,406	6,167	1,043	25	1,068	7,235
Japan	531	15	546	.....	683	683	1,229
Portugal	386	208	594	12	185	197	791
Rumania	443	443	886	.....	.....	139	1,025
Russia	8,993	9,634	18,627	3,629	2,308	5,937	24,564
Serbia . . . . .	.....	.....	.....	.....	.....	.....	.....
United States (Apr. 1)	1,015	267	1,282	.....	.....	.....	1,282
cTotal Allied Powers	42,496	20,328	62,824	6,543	8,030	14,712	77,536
CENTRAL POWERS							
Austria-Hungary . . .	6,349	4,916	11,265	473	.....	473	11,738
Bulgaria . . . . .	.....	160	160	.....	186	186	346
Germany	11,995	4,451	16,446	.....	.....	.....	16,446
Turkey . . . . .	.....	450	450	347	667	1,014	1,464
Total Cent. Powers	18,344	9,977	28,321	820	853	1,673	29,994
cGrand Total	60,840	30,305	91,145	7,363	8,883	16,385	107,530

*a*Includes debts maturing after one year.

*b*Includes treasury bills and all other debts maturing in or within one year. Issues deposited as collateral security for external debts deducted.

*c*Excluding Belgian and Serbian figures, as these countries were then in enemy hands.

TABLE XVI—NATIONAL DEBTS OF ACTIVE BELLIGERENTS IN THE GREAT WAR

STATUS AT CLOSE OF FISCAL YEARS 1916 OR 1916-1917

(In "1913" dollars—000,000 omitted)

(iii) 1913 <i>continued</i>													
NATIONS		INTERNAL DEBT			EXTERNAL DEBT			Total National Debts	Interest Charge	PER CAPITA (PRE-WAR)		Debt Per Cent. Pre-War Wealth	Interest Per Cent Pre-National Income
		^a Funded	^b Floating	Total	To Foreign Governments	To Foreign Markets	Total			Debt	Interest Charge		
CERTAIN ALLIED AND ASSOCIATED POWERS													
British Empire													
Great Britain	6,866	1,981	8,847	315	574	889	9,736	364	211.65	7.01	13.91	3.34	
Australia	357	15	372	160	36	196	568	19	113.00	3.80	0.60	1.46	
Canada	205	182	387	109	336	445	832	27	104.00	3.37	5.68	1.35	
India	532	14	546	.....	662	662	1,208	39	4.95	.16	4.03	1.30	
New Zealand	137	.....	137	47	234	281	418	15	418.00	15.00	22.47	5.00	
Union South Africa	68	12	80	30	423	453	533	25	88.83	4.17	10.66	3.12	
Other . . . . .	.....	.....	.....	.....	178	178	178	9	4.68	.24	1.78	.60	
Total Empire	8,165	2,204	10,369	661	2,443	3,104	13,473	498	d38.71	d1.43	d9.62	d2.51	
France													
France	4,914	1,824	6,738	332	411	743	7,481	352	187.02	8.80	12.02	4.82	
Greece	11	27	38	7	115	122	160	11	32.00	2.20	5.82	3.33	
Italy	1,312	387	1,699	401	10	411	2,110	120	58.61	3.33	0.68	3.08	
Japan	421	12	433	.....	542	542	975	47	18.40	.89	8.37	2.04	
Portugal	259	140	399	14	212	226	625	31	104.16	5.17	26.04	12.92	
Roumania	111	110	221	.....	.....	35	250	15	36.57	2.14	7.31	4.28	
Russia	2,998	3,211	6,209	2,003	1,273	3,276	9,485	217	54.51	1.25	16.24	2.80	
United States (April 1)	594	156	750	.....	.....	.....	750	16	7.05	.16	.37	.05	
Total Allies	18,785	8,071	26,856	3,418	5,006	8,459	35,315	1,307	46.04	1.70	7.08	1.73	
CENTRAL POWERS													
Austria-Hungary	4,096	3,172	7,268	404	.....	404	7,672	431	153.44	8.62	25.57	9.58	
Bulgaria . . . . .	.....	60	60	.....	.....	115	175	10	35.00	2.00	7.00	4.00	
Germany	7,825	2,903	10,728	.....	.....	.....	10,728	406	157.76	5.97	13.33	3.87	
Turkey . . . . .	.....	294	294	202	388	590	884	53	42.09	2.52	8.42	5.05	
Total Cent. Powrs.	11,921	6,429	18,350	606	388	1,109	19,459	900	135.13	6.25	15.76	5.52	
cGrand Total	30,706	14,500	45,206	4,024	5,394	9,568	54,774	2,207	60.12	2.42	8.80	2.41	

^a, ^b and ^c—See notes on Table XV.

^dThese figures without India would be 117.93; 4.41; 11.14; 2.73.

TABLE XVII—NATIONAL DEBTS OF ACTIVE BELLIGERENTS IN THE GREAT WAR

STATUS AT CLOSE OF FISCAL YEAR 1916 OR 1916-1917
(In dollars at Exchange on New York)

NATIONS	INTERNAL DEBT			EXTERNAL DEBT			Total National Debts
	aFunded	bFloat- ing	Total	To Foreign Govern- ments	To Foreign Mar- kets	Total	
ALLIED AND ASSOCIATED POWERS							
British Empire							
Great Britain	13,650	3,939	17,589	671	1,144	1,815	19,404
Australia	507	20	527	232	52	284	811
Canada	340	303	643	181	558	739	1,382
India	667	17	684	.....	847	847	1,531
New Zealand	203	.....	203	71	354	425	628
Union South Africa .	94	16	110	43	596	639	749
Other . . . . .	.....	.....	.....	.....	258	258	258
Total Empire	15,461	4,295	19,756	1,198	3,809	5,007	24,763
FRANCE							
France	9,344	3,468	12,812	647	789	1,436	14,248
Greece	22	53	75	14	231	245	320
Italy	3,408	1,007	4,415	1,043	25	1,068	5,483
Japan	544	15	559	.....	683	683	1,242
Portugal	203	109	312	12	185	197	509
Rumania	266	266	532	.....	.....	139	671
Russia	5,396	5,780	11,176	3,629	2,308	5,937	17,113
United States	1,015	267	1,282	.....	.....	.....	1,282
Total Allied Powers .	35,659	15,260	50,919	6,543	8,030	14,712	65,631
CENTRAL POWERS							
Austria-Hungary . . .	3,659	2,834	6,493	473	.....	473	6,966
Bulgaria . . . . .	.....	96	96	.....	186	186	282
Germany	9,142	3,393	12,535	.....	.....	.....	12,535
Turkey . . . . .	.....	270	270	347	667	1,014	1,284
Total Central Powers	12,801	6,593	19,394	820	853	1,673	21,067
cGrand Total	48,460	21,853	70,313	7,363	8,883	16,385	86,698

a, *b* and *c*.—See notes on Table XV.

TABLE XVIII—NATIONAL DEBTS OF ACTIVE
BELLIGERENTS IN THE GREAT WAR
STATUS AT CLOSE OF FISCAL YEARS 1919 OR 1919-1920
(In "Currency" dollars—000,000 omitted)

NATIONS	INTERNAL DEBT			EXTERNAL DEBT			Total Na- tional Debt
	aFunded	bFloat- ing	Total	To Foreign Govern- ments	To Foreign Mar- kets	Total	
ALLIED AND ASSOCIATED POWERS							
British Empire							
Great Britain	24,245	7,844	32,089	5,068	1,154	6,222	38,311
Australia	1,263	49	1,312	239	304	543	1,855
Canada	2,067	414	2,481	.....	561	561	3,042
India	970	359	1,329	.....	937	937	2,266
New Zealand	497	.....	497	128	354	482	979
Union South Africa . .	207	39	246	36	564	600	846
Other . . . . .	.....	.....	.....	.....	365	365	365
Total Empire	29,249	8,705	37,954	5,471	4,239	9,710	47,664
Belgium	1,099	2,357	3,456	242	83	325	3,781
France	20,215	14,554	34,769	5,397	1,084	6,481	41,250
Greece	54	272	326	33	265	298	624
Italy	10,145	3,793	13,938	3,900	11	3,911	17,849
Japan	738	241	979	.....	653	653	1,632
Portugal	1,204	580	1,784	102	177	279	2,063
Rumania	769	869	1,638	2	512	514	2,152
Russia	8,993	9,634	18,627	3,629	2,308	5,937	24,564
Serb, Croat, Slovene State . . . . .	.....	484	484	64	.....	64	548
United States	21,292	3,006	24,298	.....	.....	.....	24,298
Total Allied Pows.	93,758	44,495	138,253	18,840	9,332	28,172	166,425
CENTRAL POWERS							
Austria Hungary	10,624	9,642	20,266	500	357	857	21,123
Bulgaria	16	756	772	6	202	202	694
Germany	21,896	24,990	46,886	.....	.....	.....	46,886
Turkey . . . . .	.....	891	891	571	667	1,238	2,129
Total Cent. Pows.	32,536	36,279	68,815	1,071	1,226	2,297	71,112
Grand Total	126,294	80,774	207,068	19,911	10,558	30,469	237,537

*a*Includes debts maturing after one year.

*b*Includes treasury bills and all other debts maturing in or within one year; except issues deposited as collateral security for external debts.

*c*Germany claims to have loaned \$476 million to Bulgaria. Bulgaria also owes \$434 million war indemnity under the Peace Treaty.

TABLE XIX—NATIONAL DEBTS OF ACTIVE BELLIGERENTS IN THE GREAT WAR
STATUS AT CLOSE OF FISCAL YEARS 1919 OR 1919-1920
(In "1913" dollars—000,000 omitted)

NATIONS		INTERNAL DEBT			EXTERNAL DEBT			Total National Debts	Interest Charge	PER CAPITA (PRE-WAR)		Debt Per Cent. Pre-War Wealth	Interest Per Cent Pre-War National Income
		^a Funded	^b Floating	Total	To Foreign Governments	To Foreign Markets	Total			Debt	Interest Charge		
ALLIED AND ASSOCIATED POWERS													
British Empire													
Great Britain	7,746	2,506	10,252	2,222	369	2,591	12,843	616	270.19	13.39	18.35	5.65	
Australia	542	21	563	103	130	233	796	37	159.20	7.40	9.25	2.85	
Canada	804	161	965	.....	207	207	1,172	49	146.50	6.12	8.03	2.45	
India	490	181	671	.....	946	946	1,617	47	6.03	1.19	5.39	1.57	
New Zealand	251	.....	251	64	179	243	494	20	494.00	20.00	26.56	6.66	
Union South Africa	125	24	149	22	342	364	513	20	73.28	2.86	10.26	2.50	
Other	.....	.....	.....	.....	157	157	157	8	4.13	.21	1.57	.53	
Total Empire	9,958	2,893	12,851	2,411	2,330	4,741	17,592	797	450.55	12.29	112.55	44.02	
Belgium	260	557	817	86	29	115	932	43	116.50	5.37	16.21	3.91	
France	4,151	2,988	7,139	2,134	382	2,516	9,655	438	241.37	10.95	16.67	6.00	
Greece	14	68	82	14	110	124	206	6	41.20	1.20	7.40	1.82	
Italy	1,274	477	1,751	1,600	3	1,603	3,354	176	93.17	4.89	15.38	4.51	
Japan	230	75	305	.....	154	154	459	26	8.66	.40	3.06	1.62	
Portugal	342	165	507	129	223	352	859	43	143.17	7.17	35.79	17.92	
Roumania	64	72	136	2	470	472	608	36	86.86	5.14	17.37	10.28	
Russia	2,998	3,211	6,209	2,003	1,273	3,276	9,485	303	54.51	1.74	10.24	4.04	
Serb, Croat & Slovene St.	.....	97	97	12	.....	12	109	6	21.80	1.20	4.74	2.61	
United States	8,762	1,237	9,999	.....	.....	.....	9,999	451	102.03	4.60	5.00	1.31	
Total Allied Powers	28,053	11,840	39,893	8,391	4,974	13,365	53,258	2,325	68.28	2.08	9.80	3.03	
CENTRAL POWERS													
Austria-Hungary	3,541	3,214	6,755	535	382	917	7,672	431	153.44	8.62	25.57	9.58	
Bulgaria	1	65	66	6	19	19	85	5	17.00	1.00	3.40	2.00	
Germany	2,971	3,391	6,362	.....	.....	.....	6,362	271	93.56	3.08	7.90	2.58	
Turkey	.....	121	121	338	396	734	855	51	40.71	2.43	8.14	4.86	
Total Cent. Pow.	6,513	6,791	13,304	873	797	1,670	14,974	758	103.08	5.26	12.12	4.65	
Grand Total	34,566	18,631	53,197	9,264	5,771	15,035	68,232	3,083	73.84	3.34	10.83	3.31	

TABLE XX—NATIONAL DEBTS OF ACTIVE BELLIGERENTS IN THE GREAT WAR

STATUS AT CLOSE OF FISCAL YEARS 1919 OR 1919-1920
(In dollars at Exchange on New York—000,000 omitted)

NATIONS	INTERNAL DEBT			EXTERNAL DEBT			Total Na- tional Debts
	aFunded	bFloat- ing	Total	To Foreign Govern- ments	To Foreign Mar- kets	Total	
ALLIED AND ASSOCIATED POWERS							
British Empire							
Great Britain	19,328	6,253	25,581	5,068	1,154	6,222	31,803
Australia	1,007	39	1,046	239	304	543	1,589
Canada	1,891	379	2,270	.....	561	561	2,831
India	977	361	1,338	.....	937	937	2,275
New Zealand	396	.....	396	128	354	482	878
Union South Africa . .	165	31	196	36	564	600	796
Other . . . . .	.....	.....	.....	.....	365	365	365
Total Empire	23,764	7,063	30,827	5,471	4,239	9,710	40,537
Belgium	529	1,134	1,663	242	83	325	1,988
France	9,529	6,861	16,390	5,397	1,084	6,481	22,871
Greece	32	160	192	33	265	298	490
Italy	3,107	1,162	4,269	3,900	11	3,911	8,180
Japan	711	232	943	.....	653	653	1,596
Portugal	279	134	413	102	177	279	692
Rumania	69	79	148	2	512	514	662
Russia	5,432	5,820	11,252	3,629	2,308	5,937	17,189
Serb, Croat & Slovene St.	.....	97	97	64	.....	64	161
United States	21,292	3,006	24,298	.....	.....	.....	24,298
Total Allied Pows. . .	64,744	25,748	90,492	18,840	9,332	28,172	118,664
CENTRAL POWERS							
Austria-Hungary	393	357	750	500	357	857	1,607
Bulgaria	1	69	70	6	202	202	272
Germany	1,296	1,479	2,775	.....	.....	.....	2,775
Turkey . . . . .	.....	204	204	571	667	1,238	1,442
Total Cent. Pows. . .	1,690	2,109	3,799	1,071	1,226	2,297	6,096
Grand Total	66,434	27,857	94,291	19,911	10,558	30,469	124,760

a, b and c.—See notes on Table XVIII.

TABLE XXI—NATIONAL DEBTS OF ACTIVE BELLIGERENTS IN THE GREAT WAR

STATUS AT CLOSE OF FISCAL YEARS 1922 OR 1922-23

(In "Currency" dollars—000,000 omitted)

NATIONS	INTERNAL DEBTS			EXTERNAL DEBTS			Total National Debts
	^a Funded	^b Float- ing	Total	To Foreign Govern- ments	To Foreign Mar- kets	Total	
CERTAIN OF THE FORMER ALLIED AND ASSOCIATED POWERS							
British Empire							
Great Britain	25,832	6,552	32,384	5,354	271	5,625	38,009
Australia	1,468	14	1,482	445	97	542	2,024
Canada	1,935	440	2,375	.....	547	547	2,922
India	996	369	1,365	.....	1,168	1,168	2,533
New Zealand	539	.....	539	143	393	536	1,075
Union So. Africa	212	119	331	58	583	641	972
Other . . . . .	.....	.....	.....	.....	365	365	365
Total Empire	30,982	7,494	38,476	6,000	3,424	9,424	47,900
Belgium	2,597	3,277	5,874	707	127	834	6,708
France	31,652	27,406	59,058	6,105	758	6,863	65,921
Greece	606	715	1,321	72	250	322	1,643
Italy	11,599	6,935	18,534	4,272	10	4,282	22,816
Japan	1,088	275	1,363	.....	677	677	2,040
Portugal	2,530	1,745	4,275	95	172	267	4,542
Roumania	904	2,508	3,412	.....	.....	893	4,305
United States	16,872	5,478	22,350	.....	.....	.....	22,350
CERTAIN OF THE FORMER CENT. PWS.							
Bulgaria	16	809	825	192	.....	192	1,017
Germany	15,333	1,969,142	1,984,475	.....	.....	.....	1,984,475
Turkey . . . . .	.....	79	79	.....	648	648	727

^aIncludes debts maturing after one year.

^bIncludes treasury bills and all other debts maturing in or within one year. Issues deposited as collateral security for external debts deducted.

On account of the many territorial changes since the Peace Treaty it has been impossible to make these tables entirely comparable with those for the war and pre-war dates. Index numbers and exchange quotations have also been lacking in some cases.

TABLE XXII—NATIONAL DEBTS OF ACTIVE BELLIGERENTS IN THE GREAT WAR
STATUS AT CLOSE OF FISCAL YEARS 1922 OR 1922-1923
(In "1913" dollars—000,000 omitted)

NATIONS	INTERNAL DEBT			EXTERNAL DEBT			Total National Debts	Interest Charge	PER CAPITA (Post-War)		Debt Per Cent. Post- War National Income
	^a Funded	bFloating	Total	To Foreign Govern- ments	To Foreign Mar- kets	Total			Debt	Interest Charge	
CERTAIN OF THE FORMER ALLIED AND ASSOCIATED POWERS											
British Empire											
Great Britain	16,559	4,200	20,759	3,564	180	3,744	24,503	1,017	521.34	21.64	10.17
Australia	941	9	950	285	62	347	1,297	69	250.40	13.80	5.31
Canada	1,159	263	1,422	.....	328	328	1,750	80	194.44	8.80	3.33
India	550	204	754	.....	645	645	1,399	56	5.69	.23	1.60
New Zealand	311	.....	311	77	227	304	615	5	615.00	5.00	1.39
Union South Africa .	165	93	258	.....	501	501	759	6	108.43	8.57	0.67
Other . . . . .	.....	.....	.....	.....	157	157	157	11	3.92	.28	0.73
Total Empire	19,685	4,769	24,454	3,926	2,100	6,026	30,480	1,244	685.62	63.49	66.23
Belgium	638	805	1,443	222	40	262	1,705	62	243.57	8.86	6.89
France (July 1, 1923) .	7,739	6,701	14,440	4,701	584	5,285	19,725	799	505.77	20.49	11.41
Italy	2,042	1,221	3,263	3,265	8	3,273	6,536	210	163.40	5.25	6.18
Japan (March 31, 1922)	541	137	678	.....	328	328	1,006	41	17.96	.73	2.05
Portugal (Dec. 31, 1922)	195	135	330	156	283	439	676	14	128.17	2.33	5.83
United States	11,027	3,581	14,608	.....	.....	.....	14,608	676	134.02	6.15	2.18
CERTAIN OF THE FORMER CENTRAL POWERS											
Bulgaria . . . . .	.....	32	32	22	.....	22	54	.....	10.80	.....	.....
Germany	3	403	406	.....	.....	.....	406	37	6.65	.61	.53

^a, ^b and explanatory note.—See Table XXI.

^cThese figures minus India would be 266.80; 10.90; 25.51; 7.22.

TABLE XXIII—NATIONAL DEBTS OF ACTIVE
BELLIGERENTS IN THE GREAT WAR
STATUS AT CLOSE OF FISCAL YEARS 1922 OR 1922-23
(In dollars at Exchange on New York—000,000 omitted)

NATIONS	INTERNAL DEBTS			EXTERNAL DEBTS			Total Na- tional Debts
	<i>a</i> Funded	<i>b</i> Floating	Total	To Foreign Govern- ments	To Foreign Mar- kets	Total	
CERTAIN OF THE FORMER ALLIED AND ASSOCIATED POWERS							
British Empire							
Great Britain	24,876	6,310	31,186	5,354	277	5,631	36,817
Australia	1,382	13	1,395	445	97	542	1,937
Canada	1,901	432	2,333	.....	547	547	2,880
India	642	238	880	.....	1,168	1,168	2,048
New Zealand	519	.....	519	143	393	536	1,055
Union South Africa . .	204	115	319	58	583	641	960
Other . . . . .	.....	.....	.....	.....	365	365	365
Total Empire	29,524	7,108	36,632	6,000	3,430	9,430	46,062
Belgium	896	1,131	2,027	707	127	834	2,861
France	10,050	8,701	18,751	6,105	758	6,863	25,614
Greece	36	43	79	72	250	322	401
Italy	2,671	1,597	4,268	4,272	10	4,282	8,550
Japan	1,031	261	1,292	.....	677	677	1,969
Portugal	120	82	302	95	172	267	469
Rumania	34	94	128	.....	.....	893	1,021
United States	16,872	5,478	22,350	.....	.....	.....	22,350
CERTAIN OF THE FORMER CENT. POWERS							
Bulgaria	0	28	28	192	.....	192	220
Germany	71	9,107	9,178	.....	.....	.....	9,178
Turkey . . . . .	.....	13	13	.....	648	648	661

a, b and explanatory note.—See Table XXI.

TABLE XXIV—INTER-NATION INDEBTEDNESS AT NEAREST DATES TO ARMISTICE DAY
NOVEMBER 11, 1918

(In "Currency" dollars—000 omitted)

LENDERS BORROWERS		Great Britain to Allied Governments	Canada	France Including Supplies	Italy	Russia	United States	Argentina	Total
British Empire									
Great Britain		.....	443,796	643,137	615,314	1,265,160	3,696,000	93,427	6,082,073
Australia		238,920							238,920
Canada		*214,133							214,133
New Zealand		144,146							144,146
Union of South Africa		80,923							80,923
British South Africa Co.		8,933							8,933
Newfoundland		1,946							1,946
Crown Colonies		4,433							4,433
Total British Empire		693,434	443,796	431,376	152,314	1,265,160	3,696,000	93,427	6,775,507
Belgium		422,269		534,610			171,780		1,128,659
Belgian Congo		11,923							11,923
Cuba		.....					10,000		10,000
France		2,114,228			96,625		1,979,000		4,180,853
Greece		90,338		154,979					245,317
Italy		2,007,322	176	171,577			1,031,000		3,210,075
Montenegro		932							932
Portugal		61,273							61,273
Roumania		78,051		220,406					298,457
Russia		3,737,005	36	955,157	6,972		187,730		4,886,900
Serbia		90,715		297,413			10,505		398,733
United States		.....		382,719	8,369				391,088
Grand Total		9,307,490	444,008	3,148,237	264,280	1,265,160	7,077,115	93,427	21,599,717

*Canadian figure. Great Britain's figure is \$352,337.

a\$393,162,000 (gold).

b\$80,674,000 (gold).

TABLE XXV—INTER-NATION INDEBT

(In "Current

BORROWERS	LENDERS	GREAT BRITAIN			CANADA	FRANCE	
		To Allied Governments Including Materials	For Relief and Reconstruction	Total	To Allied Govts. Including Materials	To Allied Governments Including Materials	For Relief and Reconstruction
British Empire							
Great Britain					171,209	420,021	
Australia		250,998		250,998			
Canada							
New Zealand		144,145		144,145			
South Africa		76,738		76,738			
British South Africa Co.		9,492		9,492			
Newfoundland		1,946		1,946			
Crown Colonies		4,433		4,433			
Total British Empire		487,752		487,752	171,209	420,021	
Austria			18,463	18,463			
Belgium		456,459	25,790	482,249	6,233	534,610	
Belgian Congo		17,275		17,275			
Cuba							
Czecho-Slovakia			1,154	1,154			42,6
Estonia			973	973			1,3
Finland							3
France		2,505,211		2,505,211	5,500		
French Polack							
Greece		105,374		105,374	2,747	155,558	
Germany							
Italy		2,225,562		2,225,562	6,004	171,577	
Latvia			65	65			
Lettonia							1,1
Liberia							
Lithuania			82	82			9
Poland			4,584	4,584			235,2
Portugal		90,726		90,726			
Roumania		98,682	7,818	106,500	19,443	220,406	
Russia		3,737,005		3,737,005	36	955,157	
Serbs, Croats & Slovenes		102,828	6,121	108,949		297,413	
Ukraine							
United States						382,719	
Other							11,3
Int.-Allied Comm. on Danube			29	29			
Grand Total		9,826,874	65,079	9,891,953	211,172	63,137,461	293,3

^aWith reference to the matter of interest payable on the loans made by the British to the Allies, the following statement was made in the House of Commons on March 19, 1919, by the Chancellor of the Exchequer:

"In the case of the Belgian War Debt no interest is charged, and it has been agreed that the Allied and Associated governments shall accept German gold bonds in discharge of the debt. Further, no interest has been charged down to the Armistice on loans to Montenegro. In the case of the other Allies, interest is not actually paid except in one special transaction, but the amount, in some cases, at 5 per cent., and in others at 6 per cent., is added periodically to the principal outstanding."

DUE TO THE GREAT WAR

(mitted)

ALY	UNITED STATES			ARGENTINA	URUGUAY	GRAND TOTALS		
For Relief and Reconstruction	To Allied Governments	For Relief and Reconstruction	Total	To Allied Governments	To Allied Governments	To Allied Governments	Relief and Reconstruction	Total
.....	4,261,000	16,000	4,277,000	93,427	28,972	6,373,577	16,000	6,389,577
.....	.....	.....	.....	.....	.....	250,998	.....	250,998
.....	.....	.....	.....	.....	.....	144,145	.....	144,145
.....	.....	.....	.....	.....	.....	76,738	.....	76,738
.....	.....	.....	.....	.....	.....	9,492	.....	9,492
.....	.....	.....	.....	.....	.....	1,946	.....	1,946
.....	.....	.....	.....	.....	.....	4,433	.....	4,433
.....	4,261,000	16,000	4,277,000	93,427	28,972	6,861,329	16,000	6,877,329
62,634	.....	.....	.....	.....	.....	.....	81,097	81,097
.....	84,764	264,450	349,214	.....	.....	1,082,066	290,240	1,372,306
.....	10,000	.....	10,000	.....	.....	17,275	.....	17,275
34,843	.....	61,256	61,256	.....	.....	10,000	.....	10,000
.....	.....	.....	.....	.....	.....	.....	139,906	139,906
.....	.....	.....	.....	.....	.....	.....	2,324	2,324
.....	.....	.....	.....	.....	.....	.....	386	386
.....	2,854,340	143,137	2,997,477	.....	.....	5,461,675	143,137	5,604,812
2,443	.....	.....	.....	.....	.....	.....	2,443	2,443
.....	15,000	.....	15,000	.....	.....	278,706	.....	278,706
5	.....	.....	.....	.....	.....	.....	5	5
.....	1,615,338	16,000	1,631,338	.....	.....	4,018,481	16,000	4,034,481
.....	.....	.....	.....	.....	.....	.....	65	65
.....	.....	.....	.....	.....	.....	.....	1,158	1,158
.....	.....	26	26	.....	.....	.....	26	26
.....	.....	.....	.....	.....	.....	.....	1,047	1,047
13,698	.....	.....	.....	.....	.....	.....	253,549	253,549
.....	.....	.....	.....	.....	.....	90,726	.....	90,726
.....	.....	25,000	25,000	.....	.....	371,113	32,818	403,931
237	187,729	.....	187,729	.....	.....	4,886,899	237	4,887,136
236	1,241	25,539	26,780	.....	.....	404,623	32,089	436,712
8	.....	.....	.....	.....	.....	.....	8	8
.....	.....	.....	.....	.....	.....	385,469	.....	385,469
.....	.....	.....	.....	.....	.....	.....	11,387	11,387
.....	.....	.....	.....	.....	.....	.....	29	29
114,104	69,029,412	551,408	9,580,820	93,427	28,972	23,868,362	1,023,951	24,892,313

sumably not including interest.

cluding accrued interest.

cluded in this total is the sum of \$1,265,160,000 lent by Russia to Great Britain, viz.:
 1000 inter-change of credits, and loan of \$292,160,000 gold. See text page 137.

table gives outstanding loans, resulting from operations from August, 1914.

s is the Canadian net figure. British Finance Accounts give the net amount due Canada
 11ion.

TABLE XXVI—INTER-NATION INDEBTEDNESS
(In "Currency")

BORROWERS	LENDERS	GREAT BRITAIN			CANADA	FRANCE	
		To Allied Governments Including Materials	For Relief and Reconstruction	Total	To Allied Govts. Including Materials	To Allied Governments Including Materials	For Relief and Reconstruction
British Empire							
Great Britain					69,721	6359,823	
Australia		439,831		439,831			
Canada		67,198		67,198			
New Zealand		143,459		143,459			
South Africa		57,827		57,827			
British South Africa Co.		9,681		9,681			
Newfoundland		1,946		1,946			
Crown Colonies		3,719		3,719			
Total British Empire		723,661		723,661	69,721	359,823	
Armenia			4,487	4,487			
Austria			62,308	62,308			96
Belgium			43,794	43,794	6,291	6711,012	
Belgian Congo		17,275		17,275			
Czecho-Slovakia			6,715	6,715			110,782
Estonia			1,221	1,221			2,026
Finland							
France		2,927,604		2,927,604	5,730		
Franco Polish							
Germany							
Greece		108,996		108,996	7,520	166,173	
Hungary			626	626			193
Italy		2,568,591		2,568,591		163,857	
Latvia			98	98			2,219
Liberia							
Lithuania			82	82			1,158
Nicaragua							
Poland		436	20,223	20,659			203,808
Portugal		99,593		99,593			
Roumania		114,589	11,297	125,886	20,449	227,933	
Russia		44,321,976		4,321,976	55	1,073,080	92,640
Serbs, Croats & Slovenes		127,461	10,389	137,850		2,509	346,435
Ukraine							
United States							
Grand Total		11,010,182	161,240	11,171,422	109,766	2,704,387	759,357

^aInclude \$973 million interchange of credit.

^b"Gold."

^cProbably includes some money for relief and reconstruction.

3 DUE TO THE GREAT WAR

(mitted)

ITALY		RUSSIA	UNITED STATES			GRAND TOTALS		
For Relief and Reconstruction	Total	To Allied Governments	To Allied Governments	For Relief and Reconstruction	Total	To Allied Governments	For Relief and Reconstruction	Total
.....	133,788	fl,265,160	4,661,000	.....	4,661,000	6,489,492	.....	6,489,492
.....	.....	.....	.....	.....	.....	439,831	.....	439,831
.....	.....	.....	.....	.....	.....	67,198	.....	67,198
.....	.....	.....	.....	.....	.....	143,459	.....	143,459
.....	.....	.....	.....	.....	.....	57,827	.....	57,827
.....	.....	.....	.....	.....	.....	9,681	.....	9,681
.....	.....	.....	.....	.....	.....	1,946	.....	1,946
.....	.....	.....	.....	.....	.....	3,719	.....	3,719
.....	133,788	1,265,160	4,661,000	.....	4,661,000	7,213,153	.....	7,213,153
.....								
62,634	62,634	.....	.....	14,263	14,263	.....	18,750	18,750
.....	.....	.....	.....	28,386	28,386	.....	153,424	153,424
.....	.....	.....	190,013	264,450	454,463	907,316	308,244	1,215,560
.....	.....	.....	.....	.....	.....	17,275	.....	17,275
34,843	34,843	.....	.....	110,906	110,906	.....	263,246	263,246
.....	.....	.....	.....	16,789	16,789	.....	20,036	20,036
.....	.....	.....	.....	9,000	9,000	.....	9,000	9,000
.....	96,624	.....	3,847,521	143,137	3,990,658	6,877,479	143,137	7,020,616
2,443	2,443	.....	.....	.....	.....	.....	2,443	2,443
5	5	.....	.....	.....	.....	.....	5	5
.....	27	.....	16,500	.....	16,500	299,216	.....	299,216
.....	.....	.....	.....	1,989	1,989	.....	2,808	2,808
.....	.....	.....	2,015,079	.....	2,015,079	4,747,527	.....	4,747,527
.....	.....	.....	.....	6,032	6,032	.....	8,349	8,349
.....	.....	.....	.....	31	31	.....	31	31
.....	.....	.....	.....	5,978	5,978	.....	7,218	7,218
.....	.....	.....	.....	176	176	.....	176	176
13,698	13,698	.....	.....	182,471	182,471	436	420,200	420,636
.....	.....	.....	.....	.....	.....	99,593	.....	99,593
.....	32,582	.....	15,507	28,292	43,799	411,060	30,589	450,649
237	7,209	.....	236,726	5,177	241,903	5,638,809	98,054	5,736,863
236	3,377	.....	.....	61,587	61,587	133,111	418,647	551,758
8	8	.....	.....	.....	.....	.....	8	8
.....	2,750	.....	.....	.....	.....	2,750	.....	2,750
114,104	389,988	1,265,160	10,982,346	878,664	11,861,010	26,347,725	1,913,365	28,261,090

including \$192,000,000 paid the Bank of France for discounting Russian Government bonds.
million gold.

includes \$973 million for interchange of credit. Balance is gold.

TABLE XXVII—WHOLESALE PRICE INDEX NUMBERS AND INTERNAL PURCHASING POWER OF CURRENCIES

Taken as percentages of 1913 values

	GREAT BRITAIN		CANADA		FRANCE		ITALY		UNITED STATES		GERMANY	
	Price Index No.	Purchasing Power	Price Index No.	Purchasing Power	Price Index No.	Purchasing Power	Price Index No.	Purchasing Power	Price Index No.	Purchasing Power	Price Index No.	Purchasing Power
1914												
January	98	102	101	99	100	100	96	104	100	100	100	100
April	96	104			100	100			98	102	100	100
July	96	104			101	99			100	100	100	100
October	105	95			107	93			99	101	117	85
1915												
January	113	89	110	91	124	81	133	75	99	101	125	80
April	124	81			135	74			100	100	141	71
July	125	80			142	70			101	99	149	67
October	129	77			158	63			101	99	145	69
1916												
January	145	69	135	74	179	56	201	50	110	91	148	67
April	157	63			190	53			117	85	148	67
July	153	65			186	54			119	84	159	63
October	166	60			198	51			134	75	152	66
1917												
January	187	53	177	56	215	47	229	44	150	67	156	64
April	203	49			248	40	265	37	171	58	162	62
July	208	48			268	37	304	33	185	54	171	58
October	212	47			284	35	350	28	180	56	199	50
1918												
January	219	46	206	49	313	32	367	27	185	54	202	50
April	223	45			333	30	407	24	190	53	203	49
July	227	44			337	29	435	23	198	51	206	49
October	233	43			360	28	443	22	204	49	233	43
1919												
January	224	45	212	47	348	29	327	30	203	49	262	38
April	217	46	206	49	332	30	330	30	203	49	286	35
July	243	41	218	46	349	29	362	28	218	46	339	29
October	264	38	222	45	382	26	390	25	223	45	562	18
1920												
January	289	34	248	40	487	21	504	19	248	40	1,256	7.9
April	313	32	261	38	588	17	664	15	265	37	1,567	6.4
July	299	33	256	39	496	20	604	16	262	38	1,367	7.3
October	282	35	234	43	502	20	659	15	225	44	1,466	6.8
1921												
January	232	43	208	48	407	24	642	15	177	56	1,439	6.9
April	199	50	187	53	347	29	584	17	154	65	1,326	7.5
July	186	54	176	57	330	30	520	19	148	68	1,428	7.0
October	163	61	169	59	331	30	599	16	150	66	2,460	4.1
1922												
January	156	64	168	60	314	32	577	17	138	72	3,665	2.7
April	158	63	166	60	314	32	527	19	143	70	6,355	1.6
July	157	64	166	60	325	31	558	18	155	64	10,059	.99
October	153	65	162	62	337	29	601	16	154	64	56,601	.177
1923												
January	153	65	165	61	387	26	575	17	156	64	278,476	.036
April	157	64	168	60	415	24	588	17	159	63	521,158	.019184
July	147	68	166	60	407	25	566	18	151	66	7,478,700	.00133712
October	150	67	163	61	421	24	563	18	153	65	27,100	.00000141

See page 319 for explanation of table. aSix 000,000 omitted.

TABLE XXVIII—PAYMENTS DUE ANNUALLY BY GREAT
BRITAIN ACCOUNT OF DEBT TO THE UNITED STATES

(In "Currency" dollars—00,000 omitted)

Year	Principal	Interest	Total	Year	Principal	Interest	Total
1923	23,0	138,0	161,0	1954	64,0	119,6	183,6
1924	23,0	137,3	160,3	1955	64,0	117,4	181,4
1925	24,0	136,6	160,6	1956	64,0	115,1	179,1
1926	25,0	135,9	160,9	1957	67,0	112,9	179,9
1927	25,0	135,2	160,2	1958	70,0	110,5	180,5
1928	27,0	134,4	161,4	1959	72,0	108,1	180,1
1929	27,0	133,6	160,6	1960	74,0	105,6	179,6
1930	28,0	132,8	160,8	1961	78,0	103,0	181,0
1931	28,0	131,9	159,9	1962	78,0	100,2	178,2
1932	30,0	131,1	161,1	1963	83,0	97,5	180,5
1933	32,0	151,9	183,9	1964	85,0	94,6	179,6
1934	32,0	150,8	182,8	1965	89,0	91,6	180,6
1935	32,0	149,7	181,7	1966	94,0	88,5	182,5
1936	32,0	148,5	180,5	1967	96,0	85,2	181,2
1937	37,0	147,4	184,4	1968	100,0	81,9	181,9
1938	37,0	146,1	183,1	1969	105,0	78,4	183,4
1939	37,0	144,8	181,8	1970	110,0	74,7	184,7
1940	42,0	143,5	185,5	1971	114,0	70,8	184,8
1941	42,0	142,1	184,1	1972	119,0	66,8	185,8
1942	42,0	140,6	182,6	1973	123,0	62,7	185,7
1943	42,0	139,1	181,1	1974	127,0	58,4	185,4
1944	46,0	137,7	183,7	1975	132,0	53,9	185,9
1945	46,0	136,0	182,0	1976	136,0	49,3	185,3
1946	46,0	134,4	180,4	1977	141,0	44,6	185,6
1947	51,0	132,8	183,8	1978	146,0	39,6	185,6
1948	51,0	131,0	182,0	1979	151,0	34,5	185,5
1949	51,0	129,3	180,3	1980	156,0	29,2	185,2
1950	53,0	127,5	180,5	1981	162,0	23,8	185,8
1951	55,0	125,6	180,6	1982	167,0	18,1	185,1
1952	57,0	123,7	180,7	1983	175,0	12,2	187,2
1953	60,0	121,7	181,7	1984	175,0	6,1	181,1
Total				Total	4,600,0	6,505,8	11,105,8

TABLE XXIX—WEALTH OF THE UNITED STATES AND THE STATES
FROM PRELIMINARY ESTIMATES BY DEPARTMENT OF COMMERCE
AS OF DECEMBER 31, 1922
(In "Currency" dollars)

State	Wealth (ooo omitted)	Per Capita	State	Wealth (ooo omitted)	Per Capita
Alabama		\$1,244	Nebraska	\$5,320,075	\$4,004
Arizona	\$3,002,043	3,511	Nevada	541,716	6,998
Arkansas	1,314,255	1,439	New Hampshire	1,374,135	3,074
California	2,599,595	4,007	New Jersey	11,794,101	3,524
Colorado	15,317,734	3,285	New Mexico	851,836	2,299
Connecticut	3,229,352	3,610	New York	36,986,638	3,431
Delaware	5,281,559	2,744	North Carolina	4,543,110	1,703
District of Columbia	629,430	3,878	North Dakota	2,467,772	3,692
Florida	1,697,270	2,341	Ohio	18,473,316	3,045
Georgia	2,423,602	1,306	Oklahoma	3,993,524	1,864
I Idaho	3,896,759	3,301	Oregon	3,419,459	4,182
Illinois	1,533,893	3,295	Pennsylvania	28,833,745	3,187
Indiana	22,232,794	2,942	Rhode Island	1,924,326	3,086
Iowa	8,829,726	4,274	South Carolina	2,404,845	1,385
Kansas	10,511,682	3,492	South Dakota	2,925,968	4,482
Kentucky	6,263,058	1,459	Tennessee	4,228,253	1,773
Louisiana	3,582,727	1,855	Texas	9,850,896	2,010
Louisiana	3,416,860	2,586	Utah	1,535,477	3,247
Maine	2,006,531	2,665	Vermont	840,076	2,384
Maryland	3,990,530	3,243	Virginia	4,891,570	2,050
Massachusetts	12,980,839	2,883	Washington	5,122,405	3,600
Michigan	11,340,150	3,443	West Virginia	4,677,919	3,040
Minnesota	8,547,918	1,216	Wisconsin	7,866,081	2,887
Mississippi	2,177,795	2,903	Wyoming		
Missouri	9,981,409	3,691	United States	320,803,862	2,918
Montana	2,223,007				

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